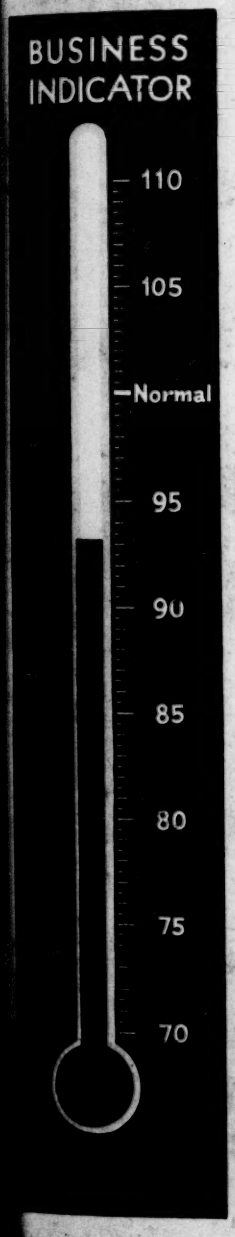
BUS. ADM. LIBRARY

THE BUSINESS WEEK

JULY 30, 1930

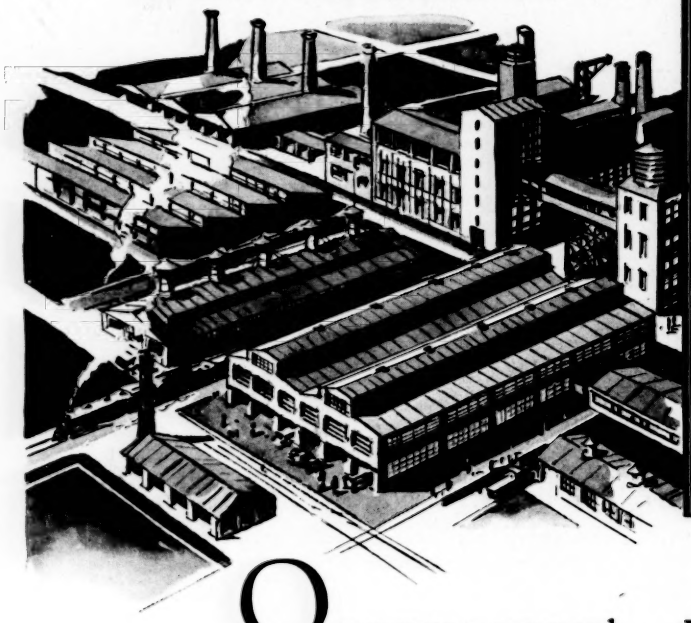
1930



BUSINESS is running true to form in mid-summer of a depression year. Industrial activity is at a low level, accentuated by shut-downs, vacations, and a general marking time till the turn of the tide becomes evident. . . . . Building continues well sustained, somewhat beyond the point of seasonal decline, and the fair volume of contracts placed in the first half year will exert their force upon general business from now on. . . . . General trade has slackened considerably as the cumulative influence of six months of lowered purchasing power and depleted stocks begins to be felt. . . . . Our index of general business activity, falling from 96.4% to 93.4% of normal this week, will probably decline further (see pp. 33-34). . . . . But business sentiment has perceptibly freshened as the thermometer has dropped. Commodity prices are firmer. Although the Federal Reserve has relaxed its support somewhat, it is encouraging that the rate of expansion of member bank credit continues high and rising. . . . . The stock market, reflecting improved business sentiment, is beginning to gather its scattered and shorn flock of lambs and to discount greener pastures ahead—probably a bit too soon, considering how corporation profits have wilted this summer.

15 CENTS McGRAW-HILL PUBLISHING COMPANY INC.

THE NEW INDUSTRIAL ADVANTAGE FOR THE SAN FRANCISCO METROPOLITAN BAY AREA . . . . .



OCCUPYING a commanding and unique position in the distribution of products to the rich markets of the eleven western states and offering the logical point from which to serve the countries bordering the Pacific Ocean—**The San Francisco Metropolitan Bay Area now offers an abundant supply of Natural gas at low rates particularly attractive to industries.**

In addition: Industries will find power costs low; unusually low labor turnover due to large home ownership; all year working climate; waterfront and other acreage at low cost; wide variety and abundance of raw materials; fast transportation facilities and a receptive local and export market.

For particulars about this area write:

PACIFIC GAS AND ELECTRIC COMPANY

P·G·and E·

***General Office:* 245 Market Street, San Francisco, California**

Serving 362 communities in Northern and Central California

Send for a complimentary copy of "Outstanding Features of the P. G. and E."

Ind. 4-30

THE BUSINESS WEEK (with which is combined The Magazine of Business) July 30 1930. No. 47. Published weekly by McGraw-Hill Publishing Company Inc., Tenth Avenue at Thirty-Sixth Street, New York, N. Y. James H. McGraw, Chairman of the Board; Malcolm Muir, President; James H. McGraw Jr., Vice-President & Treasurer; C. H. Thompson, Secretary. $5.00 per year. Entered as second-class matter February 15 1930 at the Post Office at New York, N. Y., under the Act of March 3, 1879. Printed in U. S. A. Copyright 1930 by McGraw-Hill Publishing Company, Inc.

What's In This Issue —And Why

Soviet Trade

CONGRESSIONAL Red-hunting evokes no enthusiasm among business men, who see Soviet buying decline here, rise in Europe where governments are endorsing Russian purchase money notes. *(page 5)*

Prices

BUTLER BROS., serving 200,000 small town merchants, cuts prices, warns them to pass savings on to consumers to break buyers' strike. *(page 9)*

HARDEST of all factors to get accurately—retail prices, complicated by style factor, hidden quality, recurrent special sales. First-hand investigation by *The Business Week* yields some definite results, however. The consumer is tardily getting reductions. *(page 10)*

RAYON makers slash deep into prices, hoping to offset cheap silk, restore normal buying. *(page 9)*

Instalment Sales

INSTALMENT selling has proved, not a weakness, but a strength in 1930 business; has held up sales in widely diverse lines, has had few bad accounts. *(page 11)*

Convict Goods

PRISON-MADE merchandise, ancient plague of business, is up for fresh discussion. *(page 13)*

Tires and Gas

STANDARD OIL OF NEW JERSEY already has a great distribution machine, geared to reach the motorist. Why not use it to the full? So Standard will sell tires—its own brand—at gas stations. *(page 14)*

Oil

LONG forbidden to enter joint agreements to restrict production, lessees of government oil lands at last get a permissive statute—and conservation looks up. *(page 14)*

HARRY F. SINCLAIR sells his half of a pipe line for $72,500,000 cash—the first of a series of steps through which he hopes to reach his goal, a billion-dollar corporation. *(page 15)*

Wages

HOPING it will check sporadic strikes, scattered wage cuts, help recapture markets, the anthracite industry signs a 5-year wage agreement. *(page 18)*

Building

No more mortgage money for badly-built houses, is the rule in Oklahoma City, enforced by cooperation of all lenders. It has loosened up funds, stimulated construction. *(page 20)*

BUILDING and loan societies plan to give national scope to the work of improving home building standards. *(pages 20-22)*

BUILDING trades wages still are high—effective brake on new work—though recessions are found here and there. *(page 21)*

Tariff

WHAT is all this fuss about foreign vs. domestic valuation? Another of *The Business Week's* analyses of the Hawley-Smoot tariff. *(page 28)*

WHO said the tariff was settled? There is no end to the requests for changes under the flexibility clauses. *(page 28)*

AUSTRALIA drinks deeper of the high tariff medicine bottle, seems hopelessly enslaved, a horrible example. *(page 28)*

Making Isn't Selling

THERE'S a long lag between the pig iron furnace and the new stove in the kitchen. That is why *The Business Week's* index isn't built, like most, solely on production. *(page 36)*

Envelopes

MR. GRACE'S $1,623,753 for a year's work starts talk about big pay in big business. Salaries, it seems, are mostly moderate. It isn't the wage, it's the bonus! *(page 24)*

LINKING power supply with production demands

"BUILD ME SOMETHING," says the manufacturer to the modern machine tool builder, "that will make this part quicker and more cheaply than we are making it now." "Certainly," is the answer—and in a short time the parts are popping merrily out of an amazing machine. A single operator stands at one end, feeding in raw stock while he manipulates a few simple controls. Every so often a man comes up with an electric truck and carries away the finished product. And that's all there is to it! A dozen operations rolled into one—and the machine tool builder has forged another link in the mass-production chain that brings us better goods for less money.

Electricity is the mechanical engineer's "right hand" in designing these marvelous machines. Electricity alone can concentrate large quantities of power exactly where it is needed—and control it with the deft touch that delicate operations demand. Westinghouse electric motors and controls are everywhere relied on by exacting machine tool builders—a part of the complete service that Westinghouse takes pride in furnishing to all fields of human endeavor.

Tune in the Westinghouse Salute over WJZ and the coast-to-coast network, every Tuesday evening.

Westinghouse

THE BUSINESS WEEK

The Journal of Business News and Interpretation

News of the week ending July 26, 1930

We Bait Amtorg While Europe Makes New Drives for Orders

British, Italian, and Polish Governments Guarantee Soviet Credit to Manufacturers—Buying Here Declines

FIVE rural Congressmen with no industries back home to think about have been spending New York's hottest week harrying Amtorg, trying with the aid of the spectacular Grover Whalen's document to prove the Reds spread propaganda through the Soviet's great purchasing agency.

Business has been singularly unsympathetic. It hasn't been impressed by the evidence. It has considered the flag-waving of doubtful utility and the baiting of Mr. Bogdanov bad-mannered.

Orders Total $67,495,000

Maybe there is Red propaganda, and Mr. Bogdanov may know a little about it—though a man who bought $67,495,000 of goods and machinery in 9 months would seem to be rather busy for such monkey-work. But business thinks most about (*a*) the highly credible rumor that large sheaves of orders are hanging fire; (*b*) Amtorg buying has declined at a time of year when it should be increasing, judged by 1929; (*c*) the fact that European competitors are not so finicky about Soviet business, their governments are doing all they can to help land orders; (*d*) they are succeeding, apparently at our expense; and (*e*) Red propaganda after all will be less effective if we can give work to men now unemployed.

Curtailed buying in the United States is not depriving the Soviet of foreign-produced necessities for the Five-Year Plan. Purchases in London for the 9 months ending June 30 jumped to $65 millions, compared with $19 millions a year earlier. Germany has succeeded in maintaining the lead in sales to Russia. Berlin billed goods in the same 9 months valued at $81,299,000. A year earlier the total was $65,423,000. France increased sales to Russia through June to $23 millions, $6 millions more than the total for the same 9 months a year ago.

That Britain is doing everything possible to make up to manufacturers the Russian trade lost in the interim during which the government refused recognition to the Soviet, is evident in the report on the government export guarantee scheme just made public. From June 14 to July 12, guarantees have been issued to cover $15 millions in bills of exchange on new Russian orders, while only $500,000 were issued to guarantee orders going to the Dominions. It was not revealed whether or not these guarantees cover a recent order for 3 million pairs of shoes to go to Moscow. The minimum volume of Soviet-British trade in this short period is revealed by the government credits, since guarantees on Soviet orders regularly cover only 60% of the total.

Italy is taking a definite stand on Soviet trade. The new Italian-Soviet trade agreement provides for the financing of $20 millions in orders, on which the Soviets will pay 25% in cash at the time the contract is made. The balance will be covered by notes, the duration of which has not been stated. Government credit guarantees, which will cover these notes up to 50% (*The Business Week*, July 9), will be handled through the specially-formed National Export Institute, a banking consortium composed of Italy's prominent Credito Italiano, Banca Nazionale di Credito, Banca Roma, Banca Sicilia, and possibly Commerciale Italiano. Guarantees by the firms handling the orders will cover the balance. One right reserved by the Soviets is to make payment in kind.

Big Business Consortium

Big business in Italy is behind the move to win a share in Soviet trade. Included in the consortium behind the new project are Fiat (automobiles), Marelli (electrical equipment), Pirelli (rubber goods), Isotta Fraschini (automobiles and airplane motors), Breda (steel and metallurgical products),

Pacific & Atlantic

READY FOR THE REDS

Grover Whalen, former police commissioner of New York, has his say before the Congressional investigating committee. The members, left to right: Robert Hall, Mississippi; Edward Eslick, Tennessee; Hamilton Fish, Jr. (chairman), New York; John Nelson, Maine; J. G. Rogers, Sergeant-at-Arms; Carl Bachmann, West Virginia; and Mr. Whalen

Targetti (textiles), and Montecatini (hydroelectric and technical services). The consortium is an open organization and other Italian industries may join.

Foreign observers in Italy expect Soviet orders to include war materials since a delegation of Soviet officers is now visiting Italian military establishments. European powers seem willing to supply Russia with war materials. England sold 40 tanks to the Soviets some weeks ago, and Germany is reported to have accepted a Soviet order for bombing planes which was earlier refused by the United States.

New Export Divisions

The same foreign observers note that the Soviet trade offices, recently moved from Milan to Genoa, have established two new divisions, one to handle exports of frozen meats, and the other cereals. Russia's plan to export increasing quantities of food products is materializing despite the stringent rations offered at home. Italian imports of Soviet coal jumped from 54,979 tons in 1928, to 354,093 tons in 1929.

In connection with the new trade agreement, a delegation of Italian industrialists will visit Moscow in July to study possibilities for trade extension. The second American trade delegation to Russia under the sponsorship of the American-Russian Chamber of Commerce will leave Berlin August 20 for a month of travel in Russia.

Polish banking interests are behind a move by a syndicate of steel foundries to land a $10-million order for Soviet supplies. Delivery is to be made within the year but credit is to extend over 18 months, as is the case with Soviet orders for machine tools placed in Berlin recently (*The Business Week*, May 7). In Poland, 50% of the value of the Soviet notes on this order is discounted by the Polish State Bank without the syndicate's endorsement.

New Equipment Firms Feel Business Stirring

"In time of peace prepare for war"—that age-old motto of militarism—appears to have been accepted as the current slogan of business men as they make ready for the competitive battle they expect to follow the first sure signs of improving business. During the last few months a surprising and very encouraging amount of preparatory activity has been carried on which testifies to the inherent optimism of business and to the vigor with which it has tried to make a period of low sales and production pay dividends—in the future, if not now.

One expression of this has been the unusually large number of new and improved machines and equipment items which are being offered by manufacturers. At the textile exhibitions in Boston early this year, more new items were on display than ever before.

American Machinist received notices of 13% more American shop equipment items during the first 6 months of 1930 than in the similar period of 1929; European items increased by 23%.

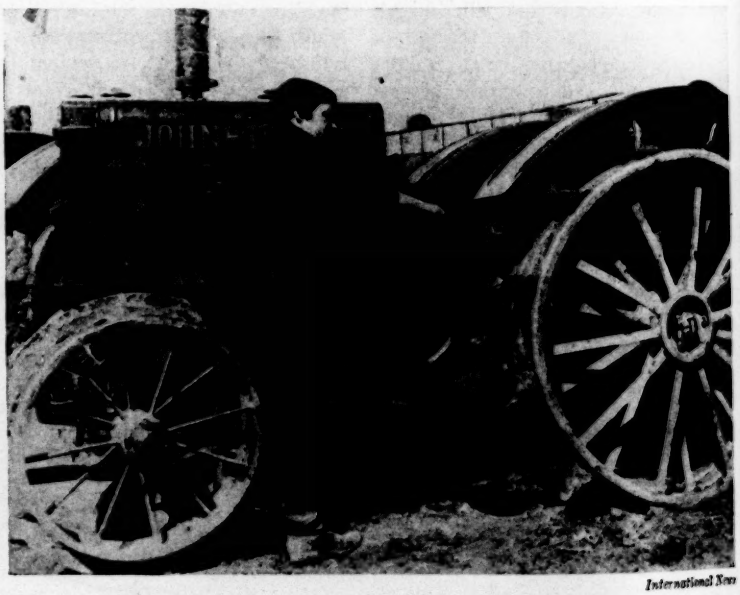
Back of new equipment announcements is extraordinary activity in the designing, planning and estimating departments of concerns selling to industry. While few actual orders are being placed yet, potential customers evidently are laying careful plans, suggesting new equipment, obtaining cost estimates preparatory to launching new and extended activities the moment the green light is given to general business. Important industrial concerns have been busier on plans and estimates during the past few months than ever before.

Drought and Heat Threaten Crops But Prices Show Little Change

Farm prospects are now mainly astrological—in the hands of Old Sol, Jupiter Pluvius, and a mercuric Farm Board. Extent of damage due to a severe spell of drought and heat is still uncertain. Spring wheat in the Northwest and Canada has suffered somewhat, cotton in the Southwest, and corn most. This is the critical stage of the growing season, and if drought continues, crops may be considerably reduced.

This would be a fairly unmixed blessing if prices were proportionately raised. But so far this has not been the case, except in corn. Wheat and cotton have at best been steady at recent levels, fluctuating relatively little within a narrow range. In other years a crop scare like that of the past two weeks would have added at least 10 cents to wheat and a couple of cents to cotton. Why not now?

In wheat the unresponsiveness is hard to account for. The winter crop is practically harvested, not especially large, of good quality, and is not being rushed to market as fast as last year. Not count-



International News

One of the 50,000 American Tractors in Russia

Only Canada and Argentina are bigger customers for agricultural machinery. Russia last year bought tractors to the value of $70 millions, not to mention 17,000 plows, 18,000 drills for cotton and corn, 2,000 for grain

Acme

VISITS WHEAT BELT

Alexander Legge (right), chairman of the Federal Farm Board, is greeted at Fargo, North Dakota, by Governor George Shafer

ing Farm Board holdings, visible supplies here are lower than last year. Foreign crop prospects are not especially good. European and Argentine supplies are low, and export buying has been fairly large—last week hitting a new record for the season. Corn prices have risen so near to wheat that farmers and feeders have begun putting cattle on a wheat diet, which may take fifty million bushels off the market. Ordinarily the market would reflect considerable bullishness under these conditions.

Speculation Dwindles

The chief reason it doesn't is the much smaller speculative interest in the grain market. Trading in the Chicago pit averages about a third as much as last year; the open interest in grains is about three-fourths as large as a year ago. This makes for much less sensitive price adjustment through future trading. As a result the market price no longer really reflects the world supply and demand situation and prospects.

The shadow of the Farm Board over the market is generally blamed on the ground that few are willing to play against Uncle Sam's pocketbook, especially in view of the 70 million bushels of wheat the board is holding.

This explanation is probably too simple. The Farm Board shadow doesn't reach to Winnipeg or Liverpool, and prices there have acted in much the same way as in Chicago. Moreover, the board has said definitely it is out of the market, won't sell its holdings, and there is no doubt that the board would play the bull side if it played at all.

The fact is that speculation in grain, as in all commodity markets, has been declining for several years, because there has been more profit using the money elsewhere. In addition, the growth of co-op handling and farm holding of wheat this season has given the pit less grain to play with.

As matters stand, the responsibility for keeping the wheat market in key with actual conditions has been passed from a large number of speculative interests to a single interest—the Farm Board, representing the co-ops. This is what the board and the farmers have supposedly wanted. Now the board is ducking the job at a time when it is most needed. That is why wheat prices are lower now than conditions warrant. Wheat-belt senators still feel the board has evaded the responsibility, embraced the "gospel of despair," and urge it to buy more wheat and sell it to China on credit, if necessary—all of which Legge calls "political bunk."

In cotton the case is different. Speculative interest is likewise low, but the crop prospect, the position of stocks, consumption and exports are all against higher cotton prices. The Cotton Exchange estimates stocks in this country July 31 will be 4,600,000 bales, double last year's and nearly a million higher than at the end of the big crop season three years ago. This is due wholly to slack domestic consumption and exports —clearly a temporary condition. Curiously enough, the fact that prices are steady in face of this condition is due partly to the fact that the Farm Board *is* holding at least a fourth of these large stocks, and about half of the surplus over recent years, and won't sell this year. If this reserve were in the market this year, cotton would probably be bringing ten cents or less.

Hardware Dealers' Better Methods Increase Net

IMPROVEMENTS in management and merchandising procedure have substantially reduced failures, and placed two out of three hardware dealers in the profit-making class, according to the National Retail Hardware Association survey, covering one year's operation of 1,309 hardware stores.

Of that number 65% earned an average net profit of 2.51% on sales, although they had a stock turnover of only 2.23 times. Average profit on investment was 7.92%.

Stores in towns of less than 10,000 population and doing a business of $60,000 to $100,000, reached the highest net profit rate of 3.19%.

It is significant that for the first time in 5 years expenses did not grow while margins mounted.

Goodyear Adopts Plan to Alleviate Unemployment

UNEMPLOYMENT in Akron—the Rubber City—should be considerably alleviated by operation of the plan just announced by Goodyear Tire & Rubber Co. All employees who have been laid off during the last 2 months and who have permanent homes in Akron will be called back to work. Work will be rotated so that the factory personnel will lay off one week in 4, 5, or 6 as factory schedules warrant. Workers will retain efficiency sometimes lost during long layoffs; burden of unemployment will be divided equitably.

B. F. Goodrich Co. plan in effect for a number of years stabilizes employment by stabilizing production over the 12 months.

Tin Crisis Ahead, Curb On Production Is Tried

ANOTHER experiment in the artificial restriction of production to resist price declines is being tried, this time in the tin industry. The British Tin Producers Association has been attempting in the past months to head off disaster to

operators in Asia, Africa, and South America; is seeking a 20% cut in the 1930 output below that of 1929.

A relentless force in curtailing production is the low price the metal brings. If it declines much more, high cost operators will be forced out of business. Tin now brings roughly 30 cents per lb. It sold for 45 cents in 1929; 65 in 1926.

Just how much success can be attained by voluntary restriction is problematical. Some producers take advantage of the fact that others curtail production. This happened when British growers restricted rubber production under the Stevenson plan; the Dutch planters reaped a harvest. To date the producers' association has secured the cooperation of 94 producers in British and Siamese territories, and the adherence of the Dutch Billiton and Banka interests, covering a large part of world output. The Bolivian government, too, shows willingness to support restrictive measures.

The statistics are not encouraging. By the end of June visible supplies gained 2,300 tons, making a total visible supply at the end of the month of over 42,000 tons. This is close to 25,000 tons more than at the end of the same period in 1929.

A very important factor in this growth of the supply of unused tin is the slump in American consumption. This country consumes approximately half of all the tin mined. Deliveries to the United States for the first half of 1930 fell to 37,000 tons from 48,000 tons for the first half of 1929, a drop of over 22%. Though tin can manufacturers in this country have been maintaining production, the automobile industry has been running under capacity. They use 60 and 20% respectively of all tin imported. Our own tin resources are negligible.

Talkies Adopt Radio Methods In New Sponsored Programs

PARAMOUNT has gone into production on industrial sound movies. Now Warner Brothers have organized an industrial talkie division, will be in large scale production by late fall. Both companies own their own theater chains, are prepared to offer "guaranteed circulation."

The advertising world is preparing to accept the new medium on a business basis. Paul Whiteman in a one-reel sound film "sponsored by the Roundtree Widget Company" may become as familiar to theater fans as Amos 'n Andy to radio fans.

They're Ten Years Old

Industrial motion pictures are 10 years old. Visugraphic, Caravell, Consolidated Film, Jam Handy, and Western Electric have produced films for some of the largest corporations. Most of these have been distributed through clubs, dealers, schools, or given special showings. Some of the pictures, particularly the new talkies, have had enough entertainment value to win a showing on regular theater chains—notably "The Nation's Market Place," a picture of the New York Stock Exchange, which has had 3900 showings before 2,155,800 persons.

Both Paramount and Warners differentiate between "sponsored shorts," to be part of the regular theater programs, and the longer industrial films. Both companies are equipped to use their regular producing and distributing personnel, though the longer pictures will not be planned for ordinary theater release. Warners', though just entering the field, is building the new division around the recently-acquired Stanley Film Advertising Co.

For the sponsored talkies it is planned to have merely an announcement of the sponsor at the beginning and the end of the film, as in radio programs. Popular stars in both drama and music will be used. Paramount, with approximately 1,500 theaters, and Warners', with nearly 1,000, are prepared to guarantee 5 million or more little-duplicating circulation.

Visugraphic has produced sound films for T. A. T., Pennsylvania Railroad, Philadelphia *Evening Bulletin*, Curtiss Wright Flying Service, and the Spool Cotton Co. Jam Handy, featuring sales managers' training service, is preparing to produce sound pictures in its own studios in Detroit, and in Long Island in cooperation with Audio Cinema. Included in Jam Handy accounts are General Motors, General Electric Refrigerator, Hoover Vacuum.

Several of the largest advertising agencies are organizing sound film divisions to handle the demand which is anticipated from clients much as they have handled radio advertising. Research staffs are busy; contact men are working with talkie producers. Coverage and costs are being analyzed in comparison with other mediums.

Underwood & Underwood

AXTELL J. BYLES

Four years ago, a Pennsylvania lawyer. Today, the president of Tidewater Associated Oil Companies and an important figure in the industry

Blocked to Size and Style, Ladies' Hats Become Staple

WHEN the John B. Stetson Company of Philadelphia has completed the marketing organization for its new line of feminine headgear, the milliners of today are very likely to join the dressmakers of long ago.

Old methods of manufacture have been entirely discarded, and modishly styled hats for town, travel, and sportswear will be made over blocks, the size and style permanently built into each. It is anticipated that the introduction of definite sizes will be particularly popular.

Labeled and packed like other regular shelf merchandise, the retailer is en-

abled to order and re-order as he would any other staple item.

A special distributing organization is being set up, and production is to start in August.

Butler Bros. Cuts Prices Tells Retailers to Do Same

BUTLER BROTHERS, largest wholesalers of general merchandise, selling 30,000 items to 200,000 independent retailers, announced general price reductions this week. Most items in the August catalogue are reduced 2 to 12%, some 20% or more.

"Pass along lower prices!" says an out-spoken letter to all merchant customers. Merchants in smaller towns, mostly without immediate chain store competition, are Butler Brothers' customers. This is the group that holds out longest against price declines.

"The public in many localities is on strike," says Frank S. Cunningham, president. "People are expecting lower prices. They are not willing to buy goods if they must pay last spring's prices. City department stores and chain stores throughout the country are passing along price cuts. Conditions will not materially improve until you, too, follow the lead. Goods will flow no faster through your store than your prices will permit."

Butler Brothers' annual volume is not published; is estimated at $75 millions. Sales are mainly by mail but 200 salesmen are used, a policy two years old.

Motor Car Sales Rise to New Ratio Compared to Production

AMONG the eight points cited in *The Business Week* (July 9, 1930) in support of our view that general business recovery would set in in August, number 8 was that automobile production, after reaching a low point in July, would turn up fairly sharply in August because output had been regulated so closely to sales.

The full figures of sales for the first five months, given to *The Business Week* for confidential use, bear out this statement and are quite surprising in themselves.

Domestic sales of passenger cars, trucks and cabs, plus exports, including foreign assemblies, were only 54,233 less than United States production during the first five months of this year. That is, automobiles sold here and abroad were within 3% below production. Output in June and July was further sharply reduced.

So closely have domestic and foreign sales kept in step with production this year that by April and May, there were apparently fewer new automobiles being produced than were sold. Dealers' stocks were reduced 54,414 in March, April, and May. On June 1 dealers' stocks were about 417,000, as against 538,185 on June 1 last year—23% less. At present stocks are considerably under 400,000, an average of eight cars per dealer. Since most producers have twenty to thirty models in their line, it is evident that even the samples in the dealers' showrooms have become sparse. The changed policy of factories toward dealers has been pointed out before in *The Business Week*.

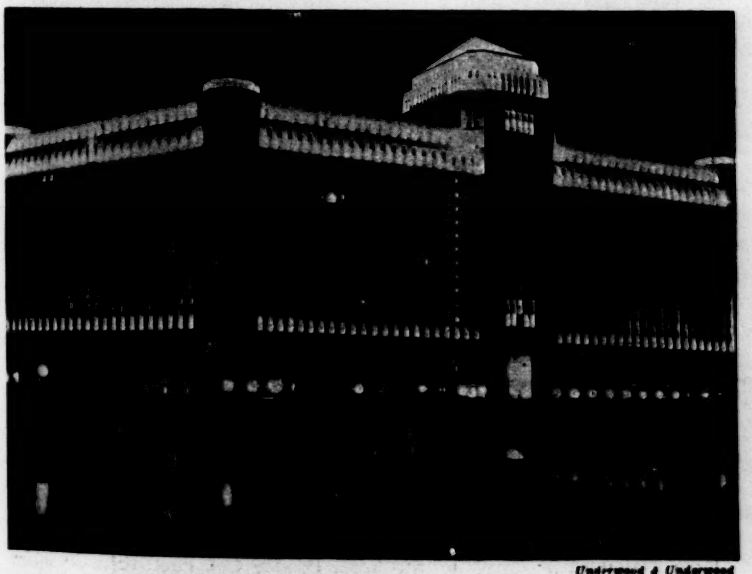
Production in the United States in the first five months this year was 79,246 units *more* than in 1928.

United States registrations in the corresponding period this year were 226,377 *more* than in 1928.

Exports, including foreign assemblies, were 18,243 *more* than in 1928.

In short, not only have sales kept pace with production this year, but production and sales were far ahead of the good year 1928—sales more than production.

The fact is this has been, so far, by all standards, a normal year for motor production and buying—with the single qualification that the business has not been distributed among all the manufacturers as favorably as in earlier years. The cheaper cars—Ford and Chevrolet—have gotten more of it, the others as a whole, less. Yet as an index of buying power and business activity, the industry has given a very good account of itself, at home and abroad.



Underwood & Underwood

LIGHTING THE WORLD'S LARGEST

Chicago's new merchandise mart is floodlighted for the first time. Built on "air rights", it concentrates the wholesaling of related lines under one roof for greater convenience of buyers

Rayon Prices Tumble On Silk-Price Toboggan

FOLLOWING closely the sharp decline of silk prices, leading makers of rayon announce important price reductions.

The new J. P. Bemberg schedule effects a flat reduction of 10% on all cuprammonium yarns. Viscose Co. cuts 20 to 25 cents per pound; 150-denier, 24-filament first-quality is 95 cents, the first time below a dollar. Other producers are expected to follow.

Through such drastic reduction the industry believes it has offset possible losses through cheap silk—that public anticipation of further price slashes will be dissipated and that buying should approach normal. Price changes were not made retroactive as is usual, so dealers and converters must absorb losses on stocks. Large mills are reported to have anticipated the price drop, carried only small stocks.

Foreign yarns will be forced out; new prices are below cost of importation, excepting on very special numbers.

Dollar Doesn't Buy Much More Though Commodity Prices Drop

Cost of Labor Blamed in Majority of Cases But Hope of "Better Times" Ahead Proves Factor

RETAIL prices continue to drop reluctantly despite the breathless downward course of commodity quotations and the powerful demand by retail customers that their less numerous dollars bring greater values. Generally, the explanation puts the blame on labor. "Small percentage of the finished product is the cost of raw materials. Most of it is labor." And wages must be propped at high levels "to protect buying power."

Wheat (No. 2, hard winter, Kansas City per bu.) has dropped from $1.17 to 81 cents since last year. There has been little if any change in the price of bread. Explanation: Cost of wheat is a small item in total cost of the loaf; controlling items are labor expenses and plant operations of millers and bakers.

Regular shoe prices are practically unchanged, though hides have gone down. As an emergency measure retailers resort to sales. Shoe stocks are thus moved while the stores save their faces on standard mark-ups. Again, labor and factory costs are blamed. One also is told that the customer gets a better shoe for the same money.

Similar statements are made in regard to both men and women's clothing. Where price per garment has remained the same, you get for $25 the suit that cost $27.50 last year. In spite of all protestations the retail buyer remains in a Missouri attitude and low price sales are often necessary to coax open the family purse.

Customer Sets Price

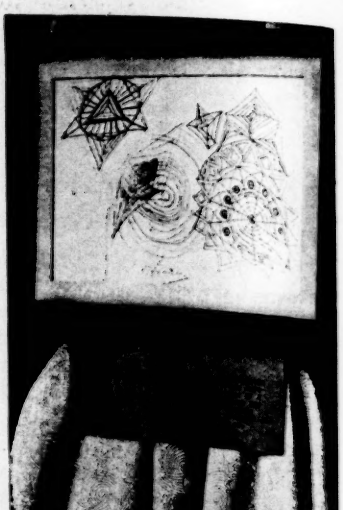
Generally speaking, the customer sets the selling figure. In department stores recognized practice is to price goods to create buying regardless of the merchandise cost. The magic word is speedy turnover. Get rid of high cost stuff at any price. Restock at lower levels. Such a store as Macy's, New York, can pass on reductions very quickly since it has a turnover of from nine to ten times a year. The department store average is from three to four times a year. All these stores have turned their high price stocks since the slump came last year and are now buying at lower costs.

The downward pull of consumer demand is evident in many retail lines. In some cases price recessions have been drastic enough to satisfy the most stubborn dollar. Below are comparisons in the retail prices of a large New York department store. Identical items are used so that there is no element of style or material change.

Merchandise	*Last Year's Price*	*This Year's Price*
Victor radio	$151.00	$97.75
Atwater Kent radio	89.75	79.75
Wool jersey	1.79	1.59
Wool flannel (yd.)	2.49	2.29
Wool cloth (yd.)	.92	.84
Voile (yd.)	.98	.79
Percale (yd.)	.26	.23
Machine-made pajamas	1.79	.94
Flannel robe	6.94	5.94
Botany flannel robe	13.74	8.94
Oilcloth (yd.)	.39	.24
Linoleum (yd.)	2.49	2.89
Standard sheeting	1.74	1.44
Sheeting, lower grade	1.14	.98

J. C. Penney Cuts

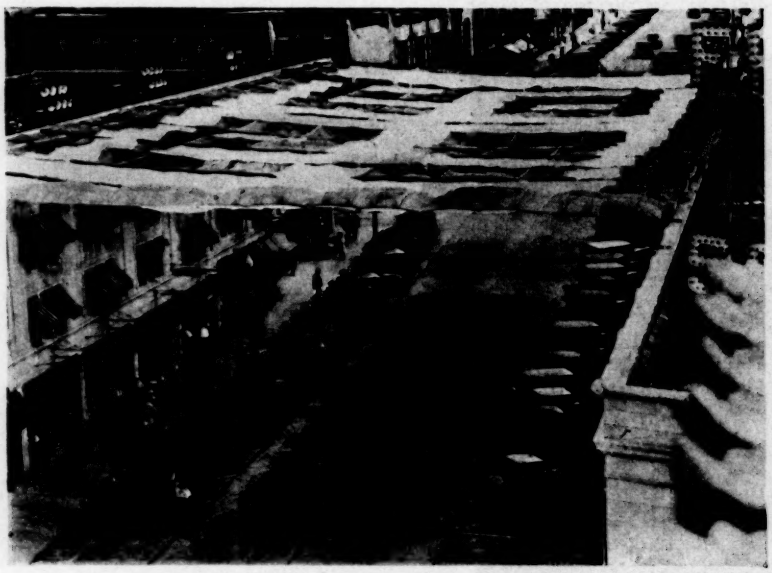
Price cuts recently were made by the J. C. Penney Co., effective in its chain of 1,450 stores. These shrewd merchants announced that their cuts were effective immediately and that they were in line with the general waning



International News

HOOVER CURLICUES

Most of us have decorated blotters while telephoning; it means nothing. But when a President does it, we get a new textile design



International News

DODGING THE SUMMER SLUMP

Shoppers in Upper Darby, Pennsylvania, can go from store to store without fear of showers, and every shop is on the shady side of the street. This cooperative awning covers the whole shopping street; its 6,000 square yards of canvas make it the biggest in the world

of commodity and wholesale costs. Some reductions follow:

Merchandise	*Old Price*	*New Price*
Hosiery (rayon and silk)	$ .98	$ .79
Hosiery (silk, cotton top, etc.)	1.49	1.29
Overalls	1.29	1.10
Boys' overalls	.98	.95
Piece goods, prints	.17	.15
36-inch percale	.15	.12½
Cambric	.25	.22
Georgette	1.79	1.49
Taffeta	1.98	1.79
Washable batiste	.25	.19

In the retail food field, the chain stores seem to have done the best job in getting prices down to reason. The last announcement of the Great Atlantic & Pacific Tea Company gave results of its June business. Sales this year were $82,882,433; last year, $76,653,166. Tonnage sold increased 15.23%, while dollar sales increased 8.12%. This means that the 15,000 A. & P. stores sold a ton of groceries for $13.40 less this year than last year. (This organization keeps close and comprehensive statistical records. Their tonnage figure lumps everything.) Figures show that the average decline in the price of a typical ton was 6¼% during the last twelve months.

Manufacturer and retailer alike are in business to sell goods. Why, then, the aversion to passing on the savings in commodity price cuts? Generally the answer is uncertainty as to what commodity prices may do within the next few months. They are low now, but there is much talk about good times being just around the corner. Won't improved conditions force prices back up? Where then will the manufacturer be who has already announced reductions founded on depression quotations? This is the course of reasoning which makes them hesitate.

Pacific & Atlantic

SHALL WE CARRY HANDBAGS TOO?

In the interests of dress reform, Mrs. Madge Barnewell (left) entertained Professor Leroy Bowman of Columbia (second from left) and several other gentlemen at a luncheon at the Hotel Delmonico. They would see us freed from the slavery of the coat, but what would we do with our fountain pens, cigarettes, lighters, and old envelopes?

Instalment Plan Stimulates Sales, Steadies 1930 Business

INSTALMENT selling has "come through" with flying colors. Results during the past 8 months have confuted the doubters; have established that the instalment method is sound credit practice. It was nowhere a source of weakness when bad times came. Instead it proved a steadying influence.

In the automobile industry the results are striking. Milan V. Ayres reports that sales of new automobiles have dropped 30% but the drop in dollars of instalment financing of automobile sales has been only 17%. The second-hand automobile market has been even more impressive—financing of used cars has increased.

The Federal Reserve Bank of Boston reports instalment sales of all kinds in its district have shown more than their normal increase this year. A marked increase in instalment sales of household appliances is reported from Chicago. Middle West Utilities reports 9% increase in appliance sales in instalments the first 6 months of 1930. Proof comes from many sources that retailers are finding greater safety as well as greater sales by offering instalment contracts.

The Commercial Credit Company's experience with its automobile paper is of especial interest. Dec. 31, 1925, almost ½% of its outstanding paper was more than 60 days overdue. That percentage rose above 0.8% during that winter and stayed above 0.4% the following winter. Since then, with more paper outstanding, the figure has gone above ½% in only two months and then only slightly—in February and March, 1930—and it has been as low as 0.1% more than once. The last report shows 0.2%.

Repossessions Low

Confidential figures from one of the large finance companies shown to *The Business Week* demonstrate that the proportion of investment in repossessions to total outstandings, which ran between 1% and 1½% in 1926 and 1927, has kept near to ½% during 1929 and 1930, and on May 31, 1930, was 0.2%.

The more prosperous the times, the more careless becomes the extension of credit, according to all statistical reports. In bad times both seller and buyer become more cautious of their commitments.

As a point of safety which the seller on open book credit does not have, the owner of instalment paper has a prior lien on the physical property. Furthermore, when trouble does come, the instalment seller has collected part, perhaps all, the reduction in value of

the property repossessed. The open-book credit seller gets, with all other creditors, only his proportionate share of the salvage and probably has received nothing on account. No wonder he is converted to instalment selling in 1930.

Purchasers are more careful of their instalment obligations than their regular monthly bills. They have to be, with repossession an effective threat.

Open Accounts Slower

The U. S. Department of Commerce has reported that during 1929, open accounts were paid in an average of 68 days after date purchases were made.

Goods sold on instalment are paid for within an average of 7 months from date of purchase. Such evidence as is available indicates this cannot be far from the average of due dates.

Unfortunately, no estimate is possible of the actual terms of instalment contracts. Too much variation exists. Furniture retailers reported to the National Retail Furniture Assn. terms varying from 4 months to 24 months. Another report shows 36-month contracts. Standard down payments range from 5% to 50%. In practice, even these limits are stretched to meet customers' demands. Automobile paper varies from 4 to 18 payments, with 12 months the commonest. In radio, where rapidly changing styles are feared, 6 months is the most common.

According to figures compiled by the Commercial Credit Corporation, 85% of all retail instalment payments are made either on or before the due date and the average payment, including all that are overdue, is made within 5 days of the average maturity date.

Post Office Steps Upon Unaddressed Mail Scheme

DISTRIBUTION of unaddressed mail to entire streets or sections of a city, urged by certain direct mail advertisers, will not be carried on under the administration of Postmaster General Walter F. Brown, he announced this week.

Reasons: the practice is not authorized by law; it would result in extra confusion from broken packages; the post office should not assume responsibility of selecting individuals to whom mail should be delivered; mail deliveries would be delayed; homes would be subjected to an avalanche of advertising; importance of mail matter would be lessened in the minds of post office employees if they handled unaddressed mail to be distributed promiscuously.

Revised Trade Practice Codes Nearly Ready for Discussion

TRADE practice conference rules as revised by the Federal Trade Commission soon will be submitted to the industrial groups affected. Changes will not be formally announced, however, until fall, as the industries have the privilege of presenting comment and criticism until Oct. 25. In the meantime, their representatives will meet Sept. 25 at Niagara Falls, Ont., to discuss the practical effect of the revisions.

The standing committee of industries which have held trade practice conferences under the commission's auspices July 24 prepared the program for the general meeting. It is the consensus of opinion that, so far as possible, rules should be drafted in the language of the industry affected, since legal jargon might cause misinterpretation. Methods for preventing mistaken interpretation and abuse of rules will be a feature of the September discussion.

The Federal Trade Commission will be invited to attend the meeting. The topics scheduled for discussion are: the value of trade practice conferences; procedure to be followed in them; revision of existing codes by the commission; interpretation of the rules by industries; regional application of rules in nation-wide industries; methods of enforcing rules.

Establishment of a permanent organization of industries operating under officially approved codes also will be considered. New rules adopted in current conferences scheduled by the commission are not affected by the pending revision of old codes.

Federal Trade Commission Ruled Out of Bounds

Two broad activities of the Federal Trade Commission have been defined by the Sixth Circuit Court of Appeals as lying beyond its statutory powers.

While these two decrees do not strike directly at the validity of the commission's procedures they demonstrate again that every trade practice rule is not binding until it has been passed

Pacific & Atlantic

WHAT ABOUT THE PILOT?

Mail, bank, and express officials look on as this new fireproof mail bag is tested at Chicago. Saturated with gasoline, it burned for 15 minutes without melting the wax seals of the packages within

HOT DOGS

Frank M. Firor, president of Adolf Gobel, checks up on the supply of the great summer commodity. His company is first to broadcast a fixed price list, prices usually being quoted by wagon salesmen

by the courts. This is no news to lawyers, but may convince more industrial groups that their codes are no stronger than the commission's power to enforce them.

In 1926 the commission approved a rule that veneered furniture should be so designated. The Furniture Manufacturers Association of Grand Rapids refused to subscribe to it; demanded a showdown and the commission promptly served complaints on several rule-breaking concerns. The court holds the commission's orders were wholly unsupported by evidence, were inappropriate remedies anyway for the alleged evils, and constituted interference with the manufacturers' freedom of action.

The campaign against patent medicines has been waged with the aid of newspaper and magazine publishers, National Better Business Bureau, American Medical Association and Department of Agriculture. A typical case was pressed against Marmola tablets—advertised as a remedy for obesity. The court holds that the commission's jurisdiction in such cases rests upon the assumption that deception of buyers results in unfair competition for honestly advertised products of the same nature, but since there are no such products in relation to Marmola, there is no competition; ergo, no unfair competition is possible.

Business Seeks Relief From Prison Competition

FRESH discussion of the old problem of what to do with prison-made products, started up by the recent Governors' Conference at Salt Lake City, reemphasizes some of the difficulties it makes for business, directs attention to the Hawes-Cooper Act as a relief measure.

Prison work is urged by wardens who want to keep their charges busy so they won't make trouble; who prefer to lease out prisoners' services to contractors because prison shops require heavy appropriations for equipment, for superintendents' salaries. Penologists urge prison work that will teach trades to prisoners, enable and encourage them to seek an honest living when they go free. But penologists say that contractors, aiming to get the highest production rate possible with an ever-changing prison personnel, specialize in goods that do not require skill.

Bootlegging Springs Up

Contract shops with cheap labor, free state supervision, and few personnel problems can beat any price asked by outside producers. Some industries have been badly disorganized by the necessity of meeting price cuts instituted on only a small volume of competitive prison products, not identifiable as such by consumers. In states where such goods have been forbidden the open market by specific legislation, they have been bootlegged into distribution.

The Hawes-Cooper Act, effective 1932, will make prison goods, wherever produced, subject to the marketing restrictions placed on such goods in the state in which they are sold. Except for bootlegging, it will keep such goods out of states in which their sale is now prohibited, will bar markets to contract shop products in states which have banned contract shops. It is still being fought by contractors, by some wardens for fear the intrusion of high-grade prison factory superintendents to replace the contractor, by some legislators who object to appropriations to reorganize prison activities.

Business generally feels that the final solution of the problem lies in the restriction of prison goods to governmental use, with an interchange of such goods by states and a wide diversification of work at each prison. Such a program has worked out successfully in New Jersey.

Grocers' Alliance Is Duplicated in Drug Field

THE Independent Grocers' Alliance is to be duplicated in the drug field. J. Frank Grimes, president of the former, will head the drug cooperative. The first group is being formed in Northern New Jersey around the New Jersey Wholesale Drug Co. of Newark (a mutual wholesale house with 450 retailers as members) and D. Kaltzman, Inc. of Jersey City. Organization began with a mass meeting of Jersey druggists in Jersey City, July 15.

The Independent Grocers' Alliance is said to include in the neighborhood of 10,000 retail grocery stores and nearly 150 wholesale houses. It has grown rapidly and, in some sections, has become highly successful in meeting chain competition.

Stores to be admitted to membership will be scrutinized as to location and market possibilities. The members will have their layouts and stocks renovated and will get merchandising guidance.

Standard of New Jersey To Sell Tires, Service

DEMAND for more complete service to motorists has forced the Standard Oil Company of New Jersey to extend its line and go into the tire business.

An enlargement of present gas and

oil selling service stations will not be necessary. Attendants are to be trained to provide complete tire service, such as changes and tube repairs. A stock of popular sizes will be carried at each station. Service will start within two or three months, it is understood.

Although made by a well-known tire manufacturer, both tires and tubes will carry the Atlas brand, owned by S. O. of N. J. Quality is such that a liberal service guarantee is offered and prices will be comparable with those quoted on standard makes.

B. & O. and C. & O. Split On Rail Merger Policy

THE news of the week in the railroad merger field is the split in policy between the Baltimore & Ohio and the Chesapeake & Ohio—roads which have worked together for two years in rail consolidation matters. B. & O. will agree when necessary to the fifth trunk line proposed in the official plan of the Interstate Commerce Commission; C. & O. is definitely opposed to it.

The explanation seems to be that B. & O., having got what it wanted (the I.C.C., in its final consolidation plan, allocated to it the Reading–Jersey Central system providing an entrance into New York City) doesn't care particularly what happens now.

Other Developments

Other developments of the week include the withdrawal until March, 1931, of the merger plan of the Great Northern and Northern Pacific as prophesied by Ralph Budd, president of G. N. (*The Business Week*, April 30, 1930), and the I.C.C. order which forced the Taplins to reveal that the Pennroad Corporation paid $170 a share for their Pittsburgh & West Virginia stock.

New England, after a flurry over the reported investments made in its railroads (notably New York, New Haven & Hartford and Boston & Maine) by interests close to the Pennsylvania, has settled down to a policy of watchful waiting, with the determination that its lines shall never become affiliated with strong trunk systems.

It becomes increasingly apparent that the Southwest will be the exclusive territory of the Missouri Pacific, which is gradually welding into a component part the several roads which it recently acquired in that region.

B. & O. continues to hold on to its Western Maryland stock, patiently waiting a purchaser it can regard as "suitable" before complying with the I.C.C.'s instructions to divest itself of this block of stock. The Wheeling & Lake Erie matter—bone of contention of a group of trunk lines—apparently goes into the files of the I.C.C. as the commission prepares for vacation when members will get back to their home states, or travel widely, sounding out popular sentiment on mergers, holding companies and other timely subjects.

The I.C.C. also indicated this week that its merger plan would not be reopened; that changes would be considered only when the roads make applications to carry out the plan.

International

AN OLD TIMER DOES IT AGAIN

To help the French Commercial Travelers' Fund, this century-old locomotive—the first in France—once more puffs over the 12 miles between Paris and St. Germaine

New Law Permits Oil Men to Agree to Restrict Flow

Two recent events affecting the petroleum industry seem to indicate that conservation—so long sought—is just around the corner. Of first importance is the enactment of a law which permits lessees of federal oil lands to agree among themselves and with the government for operation of pools on a unit basis. This plan—strongly recommended by the Federal Oil Conservation Board (*The Business Week*, June 11)—permits an oil pool to be tapped for any desired quantity and the proceeds from production to be equitably divided among the pool operators.

While Secretary Wilbur is said to have had the Kettleman Hills (California) situation particularly in mind as he pushed through this legislation, it is hoped and expected that once the advantages of unit operation are known it will be adopted for other fields under private as well as federal lease. The law is not mandatory; it permits extension of federal leases beyond the present 20-year limit; it is temporary—expires January 31, 1931 when Congress is expected to have adopted permanent legislation.

Second important event: the practical unanimity with which leading refiners have curtailed gasoline production the past week. Led by Standard Oil of New Jersey, Tide Water Oil Co. and Standard of Indiana, nearly all

important refining companies are drastically curtailing output.

Gasoline stocks at the end of May (last figures available from the Bureau of Mines) were over 20% greater than a year ago. Both foreign and domestic demand for gasoline has been greater than in 1929 but excess of production and imports has continued.

Standard of New Jersey is materially curtailing output during July and August; Tide Water has made a 15% cut; Standard of Indiana is keeping crude runs to actual sales requirements; Standard of New York and subsidiaries are operating at about 70% capacity; Standard of Louisiana, a New Jersey subsidiary, is running 6% less crude and has reduced cracking operations 15%; Pure Oil Co. is cutting its July crude runs about 10% under March. Mid-Continent refiners are cutting July crude runs 10% to 20% under June; Oklahoma refiners are working a 10% reduction program; Kansas is down 10% to 20%; North Texas 14%; Arkansas-Louisiana 10% to 15%.

Other companies which are reported to be taking part in this curtailment program include Barnsdall Refineries, Inc.; Mid-Continent Petroleum Corp.; Continental Oil Co.; Skelly Oil Co.; Phillips Petroleum Co.; Deep Rock Oil Corp.; The Indian Refining Co.; Shell Petroleum Corp.; Standard Oil of California; Shell Oil Co. of California; Union Oil Co. of California.

Sinclair Sells Pipe Line To Build Billion Dollar Company

ONE of the largest cash transactions in the history of the oil industry, in which Standard Oil Co. of Indiana buys from Sinclair Consolidated Oil Co. for $72,500,000 its 50% stock interest in Sinclair Crude Oil Purchasing Co. and Sinclair Pipe Line Co., starts a movement which is expected to realign pipe line systems serving the Mid-Continent district and to enhance the prestige of the Sinclair interests as a national petroleum producing and distributing system.

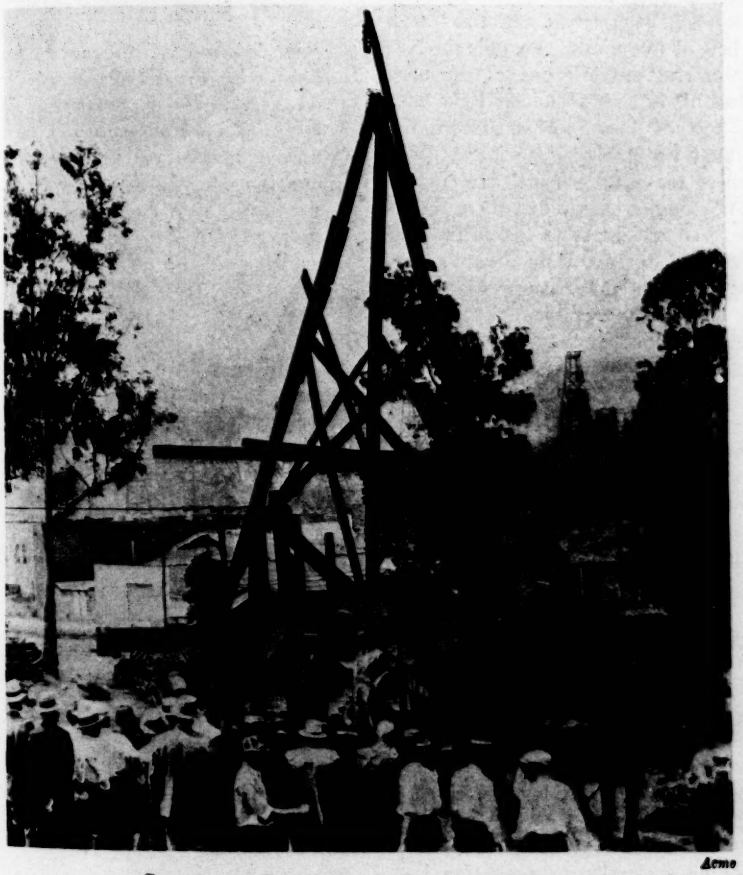
If events presaged by this transaction come to pass, Harry F. Sinclair will head a billion dollar corporation having tremendous active and potential oil and gas reserves in this country and abroad, extensive pipe line and transportation facilities, and distribution and marketing systems completely covering the United States and all major foreign markets.

While no formal announcement has been made, it is virtually certain that Sinclair's sale to Standard was predicated upon Sinclair's successful outcome of negotiations to get Prairie Oil & Gas Co. and Prairie Pipe Line Co. These two companies will give him some 1,900,000 acres of land in the Mid-Continent region; storage capacity of more than 50 million barrels; 6,000 oil and 100 gas wells; 13,000 miles of pipe line serving 19,000 producing wells and leases in Kansas, Oklahoma, and Texas. If, as is anticipated now, Sinclair adds Tide Water Associated Oil Co. to his holdings, he will more than double the assets of Sinclair Consolidated and will obtain important distribution facilities in the East, on the Pacific Coast, and in the Orient.

Standard Builds Ajax

In anticipation of this move, Standard Oil Co. of New Jersey and the Ohio Oil Co. recently organized Ajax Pipe Line Co. now constructing a pipe line from Oklahoma to connect with Indiana Pipe Line system. When this new line is completed, and a physical transfer made of the units involved in the Sinclair-Standard deal, Sinclair pipe line will serve almost exclusively the refineries of Standard of Indiana; Prairie lines will serve Sinclair refineries; Ajax will reach refineries of other Standard units now being served partly by Prairie.

The Prairie companies were units of the old Standard. In 1928, Blair & Co., who frequently acted as bankers for



Acme

SOUTHERN CALIFORNIA'S FIRST OIL WELL

Edward L. Doheny celebrates the 37th anniversary of his first well in what is now the heart of Los Angeles, by demonstrating how he and his partner, the late Charles Canfield, dug it by pick and shovel, hoisting the muck with horse and bucket. Charles Canfield, Jr., played his original part, for as a boy of 10, he led the horse

Sinclair, bought from Rockefeller trusts their holdings of Prairie stock and later sold them to the Petroleum Corp. of America, organized by Blair to deal in oil stocks. In this way, apparently, the Prairie companies have been made available for consolidation with Sinclair. Only a few days ago Standard Oil of New Jersey sold to Transamerica-Blair —in which Blair & Co. has been consolidated—its holdings in Tide Water Associated stock. This, together with holdings which remained from a Blair operation several years ago, is supposed to have given Transamerica working control.

Success of Cooperatives Depends on the Cooperators

AN interesting experiment in industrial cooperation reached a climax this month when employees of the Columbia Conserve Co., Indianapolis, became owners of 51% of the stock of the company which did $1,600,000 worth of business last year. The employees, as a group, now have control of the company; can, if they wish, fire the company president, William P. Hapgood, who with his brothers Norman and Hutchins started this experiment just 13 years ago.

When the three brothers inherited the company in 1917 they made a contract with their employees as a group for purchase of the concern by retirement of the common stock from profits. Wages are based on the needs of the worker rather than on his output. A married man receives 50% more than a single one; he gets $2 per week for his first 3 children. A weekly council discusses plant policies; a janitor may disagree with the president and be sustained in his belief by a majority vote.

While this cooperative plan appears to be successful, doubt is raised against cooperatives in another field by the investigation being made by the Massachusetts Department of Labor into shoe cooperatives in that state. Labor leaders charge that unscrupulous employers and promoters are using the cooperative plan as a means of requiring workers to buy their jobs; that many of the cooperatives are a direct menace to the savings of employees.

Early shoe cooperatives were usually formed by groups of workers who pooled their savings to finance new enterprises. Others have been formed when workers have taken over insolvent concerns to preserve their jobs. Depressed conditions in the industry during recent years have made this an especially profitable field for racketeers desiring to get rich quick by capitalizing the workers' desire for jobs.

Labor leaders charge that some employers require applicants to subscribe for stock for which they must pay as much as $4 a week from a standard weekly wage of $28. Such stock is usually sold at par; the employer contributes nothing and the employee has no protection against declines in his highly speculative holdings. His great desire for work makes him an easy victim of such schemes.

There is some question as to just how successful cooperatives in the shoe industry are, even when organized with the best of intentions. Possibly the best known, and certainly one of the most successful, is Daly's Golden Rule Shoe Co., Inc. of Lynn. This concern has operated profitably and without labor troubles for years. There are observers, however, who say that these results have been due more to the ability and personality of Mr. Daly than to anything inherent in the cooperative plan.

A different type of cooperation is that best exemplified in the Pequot Mills—formerly Naumkeag Steam Cotton Co. —of Salem, Mass. Here responsibility for successful operation is shared by the management and the workers—the latter organized as a union. (*The Business Week*, Dec. 18, 1929.) Cooperative stock ownership is not an essential part of the plan.

Acme

NEVER LAID OFF

Ben Minkovcky, die-maker, has been with Procter & Gamble for 45 years. He is guaranteed 48 weeks of work out of the 52; he is secure against eviction, sickness, and the poor house. Business depressions may come and panics may go, but Ben keeps right on working—as do all other P. & G. employees

Hawthorne Force Gets Mass Vacation — With Pay

JUST 39 of the 30,000 employees of Western Electric's Hawthorne plant—second largest American industrial unit —are not getting vacations with pay this year. Only 900 were left at work in the plant when the rest of the force departed on a simultaneous vacation lasting from July 13 to 26.

This plan was introduced at the Hawthorne plant last year; this year it was made much more inclusive and other Western Electric plants have adopted it. "It is a good plan," says C. L. Rice, vice-president and works manager. "We are not upset by vacations over a 5-month period as we were before. We can plan our production now on a straight 50-week basis."

A survey of about 200 representative industrial plants made recently by *Factory & Industrial Management* disclosed that vacations with pay are given to executives and office workers in 94%; to foremen and supervisors in 85%; to production workers on day rates in 24%; to piece rate workers in 7%. In 21% of the plants a complete shutdown occurs during the vacation period while 17% use it for taking inventory. Of plants which have given vacations with pay, 5% have abandoned them; of those continuing, 93% are satisfied.

According to a survey completed by the Policyholders Service Bureau, Metropolitan Life Insurance Company, there is little uniformity in eligibility requirements or in other details of vacation plans.

Most concerns provide "successive"

vacations in which relatively small proportions of the working force are on leave at any one time. There is a considerable tendency, however, toward the "plant shutdown" for the vacation period. During this period, a few workers are kept for painting, repairs, and general maintenance work difficult to accomplish with the plant in operation.

Two theories are held as to the reason for vacations. One views them as rewards for long service, punctuality, and regular attendance; the other as an investment in health from which the company receives dividends. Some concerns demand that vacationers actually take a vacation; that they must not accept temporary employment elsewhere.

Another recent development is the establishment by employers of vacation camps where employees can enjoy their outings in pleasant surroundings at minimum expense. Other concerns have inaugurated savings plans intended to provide employees with a special fund for use during the vacation period.

Textile Machine Works Has Elaborate School Plan

AN unusual experiment in cooperative education is being made in the Wyomissing Trade School, affiliated with Textile Machine Works, Reading, Pa. It is one of the largest cooperative educational units in the country, has 100 day and 50 night students. Day students take a three-year course; devote the fourth year to shop work exclusively. School expenses are paid by the Textile Works; in addition, students are paid as apprentices.

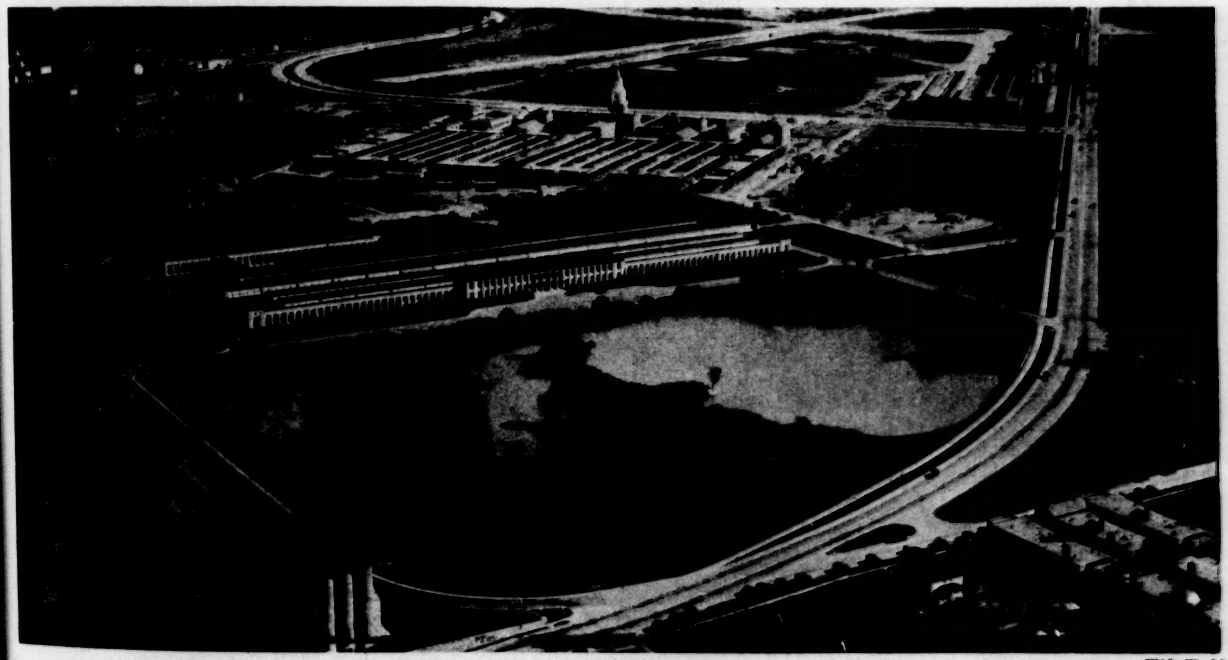
Students divide their time between school and shop. They spend the first 6 months of the day course in the shop, thereafter alternate, two weeks in shop, two in school. Besides practical shop work, courses in English, civics, mathematics, chemistry, economics, physics, mechanical drawing, and a complete schedule of courses in textiles are available.

Apprentice Training Is Problem In Dull Times

WHAT to do about apprentice training courses during these days of curtailed production is a question which appears to be bothering many executives. Most apprentice agreements promise a certificate upon the completion of a certain number of hours of work which is to be terminated within a definite term of years. With many plants working at part time, the number of hours specified for the training course can not be obtained within the period of time promised in the agreement. What is the employer to do—require the apprentice to make up the lost hours beyond the term of the agreement or give him his certificate at the end of the period but before he has had the agreed number of training hours?

In Milwaukee, where apprentice training flourishes, this problem does not appear. There, apprentices are signed up on a basis of working hours only, with no agreement as to the total time required. When business is poor as it has been, apprentices get in what hours they can, like everyone else; when business is good they are frequently able to get in overtime to compensate for time lost during dull periods. Under the usual cycle of two years of good business for each bad year the Milwaukee experience has been that a 9,760-hour apprentice course—normally 4 years—is completed in 3 years and 10 months as an average.

For those employers who now have apprentices under a calendar year contract, the advice from Milwaukee apprenticeship authorities is that they should call a meeting of apprentices—with their parents, if necessary—and arrange for a conversion of the contracts



Wide World

FORDTOWN FROM THE AIR

In the upper left, is the Early American village; at right center, is the Industrial Museum and the Edison Institute. In the background is the Ford Airport, with the hangars and offices at the right; in the immediate foreground, the Engineering Laboratory of the Ford Motor Company at Dearborn, Michigan

to an hourly basis, granting credit for all time already put in.

Another factor which not only bothers some employers already engaged in apprentice training but which is an important barrier to its adoption by others is the possible effect of a number of uncompleted apprentice contracts if the business should have to be liquidated. Again, Milwaukee has solved this problem in a satisfactory manner. Under the Wisconsin apprenticeship law, the Industrial Commission will distribute apprentices among other plants in case of complete liquidation, but Milwaukee employers do not depend upon this.

Members of the Milwaukee Metal Trades Association—including many of the important Milwaukee industries—cooperate in apprentice training work. Since 1920 two of the member firms have gone out of business but all of their apprentices were absorbed by other members.

Kodak Executive Recruits Will Learn as They Go

LATEST recruit to the idea of definitely selecting and training young men for responsible executive positions with the company is Eastman Kodak Co., which institutes such a plan this summer. Over 50 young men will enter the employ of the company at Rochester. Some, because of their specialized training and experience, will be engaged by particular subdivisions of the company. Most of them, however, will be given one or the other of two general training courses to fit them for many jobs within the company or for managerial work in one of the company's many branches abroad.

The men will be moved from department to department to give them a comprehensive idea of the organization. Particular attention will be given by those in charge of the training program to personal aptitudes and interests so that each man may be eventually found in that type of work for which he is best suited. Practical experience will be augmented by weekly discussions with company officials on various phases of company affairs.

Plans similar to this, and with the same purpose, have been used successfully by a number of concerns in different industries. Properly organized and operated they appear to offer one of the surest means of providing adequate executive personnel for a growing concern.

Anthracite Workers Sign Five-Year Agreement

PEACE in the anthracite industry for the next 5 years is foreshadowed by the agreement reached last week between the United Mine Workers of the World and operators. Reconciliation of many differences between the two parties indicates that strenuous efforts are to be made to regain some of the anthracite markets lost since the disastrous strike of 1926. As forecast in *The Business Week* (July 16), wage scales remain the same; the union is granted a modified check-off system; local union rules limiting the number of cars a miner may load in a day are banned, and the union promises to cooperate in the installation of efficiency methods looking toward lower-cost coal.

The wage adjustment clause of the previous agreement is continued unchanged, but a permanent committee is to be formed through which it is hoped the clause may be made more workable than it has been in the past. Formal ratification of the new agreement will be made by the union at a tri-district convention to be held in Scranton Aug. 4.

This action is expected to prevent the spread of local strikes and wage cuts rather prevalent during the last month or two. Just before the wage conference started a strike was called in all the collieries of the Pittston Co. as a protest against unequal working time, but the strike order was rescinded after a week. A strike of 1,400 miners at Reliance and Alaska collieries of the Philadelphia & Reading Coal & Iron Co. was ended recently when Stone & Webster Engineering Co. — constructing central breakers—permitted its men to go under the control of the union.

Following the wage cut of Consolidation Coal Co., United Mine Workers' representatives announced that further wage cuts would be resisted. Early in July the United Mine Workers and National Miners Union clashed over responsibility for a strike at the Brock mine of Continental Coal Co. in West Virginia. The walkout followed a wage cut of 5% to 10%. In the Pittsburgh region several smaller concerns made wage cuts recently. Competitive pressure and low prices were assigned as the reason. Work is being resumed at some West Kentucky mines where strikes have been in progress since last spring. The Diamond Coal Co. and Duvin Coal Co. of Providence, Ky., and Space Coal Co., Madisonville, Ky. recently resumed operations after long shutdowns.

Underwood & Underwood

A HUMAN HORSE

In the world's largest sulphur mines in Sicily, beasts of burden cannot stand the poisonous atmosphere. Humans, most of them convicts, are used. Many die from the effects. Until the discovery of the Louisiana mines, Italy had a monopoly

Burroughs

THE TYPEWRITER ACCOUNTING MACHINE IS ONE OF THE MANY BURROUGHS MACHINES THAT HELP CONTROL INVENTORIES, FACILITATE "HAND-TO-MOUTH" BUYING, PREVENT PRODUCTION DELAYS DUE TO STOCK SHORTAGE, AND AID IN OBTAINING MAXIMUM USE OF WORKING CAPITAL.

FOR ALL KINDS OF STOCK RECORDS

Provides accurate, up-to-the-minute records of stock on hand, on order, available, consumed, in transit, or other classifications, whether in quantities or values. In many cases quantities and values can be handled at one time.

Other combinations of results can be obtained at one operation. For example, inventories may be written, calculated and totaled at one handling; material requisitions can be extended at the same time the stock ledger is posted.

For information or a demonstration on your own work, call the local Burroughs office, or write.

BURROUGHS ADDING MACHINE COMPANY
6309 SECOND BOULEVARD DETROIT, MICH.

BACKED BY WORLDWIDE BURROUGHS SERVICE

No Loans for Flimsy Houses Hereafter in Oklahoma City

Building Loan Societies Start Movement That Improves Homes, Stimulates Building, Loosens Money

BUILDING and loan associations of Oklahoma City last March formed the Better Homes Construction Bureau, provided it with small home specifications and a staff of inspectors, and announced that they would finance no new construction which had not been supervised and inspected by this bureau.

Since then straight loan companies, banks, trust companies, and every other first class loan agency operating in the territory has joined in the work; the quality of home construction has improved notably; funds for residential financing have been loosened, and a considerable impetus has been given to small house construction.

As soon as building permits are filed, inspectors of the bureau supervise construction and at its completion present a detailed report by means of which each house is classified into one of three divisions. For class A houses a first mortgage loan up to 75% of its appraised value is available; Class B houses can get 50%; class C 30%. Since practically all loan sources are affiliated with the bureau, mortgages are not available for houses not inspected by it. From March to June, the percentage of Class A houses completed increased from 6% to 33% of the total; Class B increased from 17% to 49%; Class C decreased from 61% to 16%; homes for which no rating was given decreased from 16% to 1%.

The bureau operates at no cost to home builders; no fees of any kind are charged for supervision and inspection, but copies of the report on a house can be bought for $5. Full cooperation in the bureau's work has been obtained from banks, realtors, lumber companies and contractors. Publicity given the bureau has increased the prestige of mortgage loans as good investments and has loosened up funds. The "jerry" contractor and speculative builder has been practically eliminated, as have the use of inferior materials, excessive loans, loan shopping and competition, and other things all detrimental to the extension of home ownership.

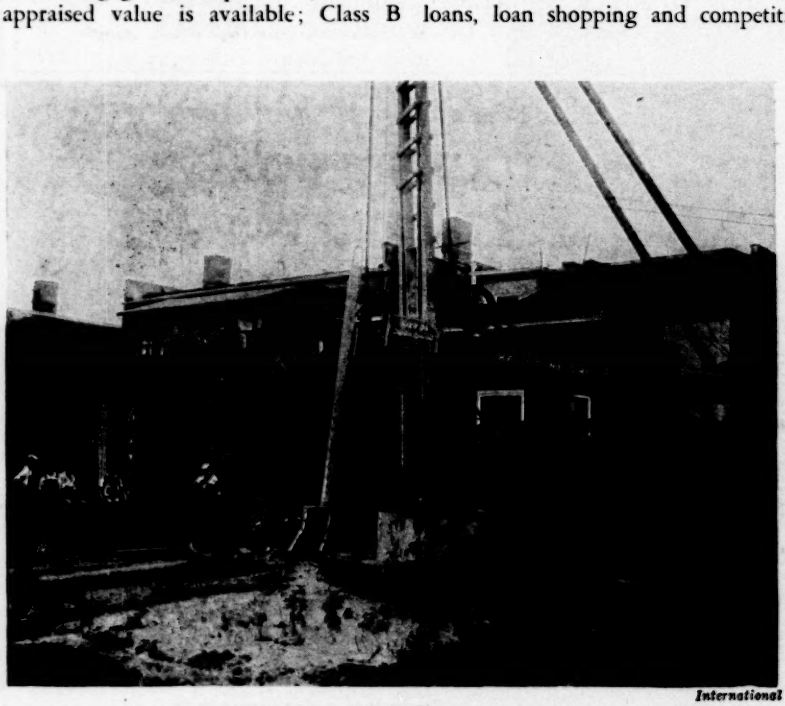
Realtors, contractors, and home builders now display signs on all new homes stating that they are being supervised by the bureau. Prospective buyers insist upon seeing the bureau's report before making a decision. The bureau has brought about a decision by the municipal government to formulate a new building code with more rigid enforcement measures. In every way, the experiment started but five months ago has been successful far beyond expectations. Its influence has already spread to other sections of the state, where several building and loan associations are preparing to institute a similar plan.

In Boston and the State of New Jersey the plan is being studied with the expectation it will be adopted there. It is an example which seems well worth study by other communities which are seeking ways to stimulate small house construction activities.

International

FLYING ENVOY

Harry Guggenheim, aviation enthusiast and ambassador to Cuba, as he arrived at Mitchel Field, Long Island, after a 12½ hour one-stop flight from Havana



International

RIGHT IN THE BACK YARD

Workmen digging for a gas line to heat the buildings in the background struck oil in this Kansas City back yard. The 30-barrel well resulting has stimulated real estate prices, oil prospecting, and conversation

Plan Better Buildings For Safer Loans

THE "own your own home" drives of building and loan associations will be supplemented shortly by efforts to help home-builders get more for their money. The *American Building Association News,* national organ of the loan companies, plans to distribute a book of Standard Specifications for Residential Construction.

Most builders of small and medium-sized homes are completely inexperi-

enced in the intricacies of construction. Smaller contractors and designers, more expert, are still not so efficient in giving the home-builder as much as his money should provide. And there are irresponsible contractors and designers to add to his troubles.

With all this in mind, the loan associations have had standard specifications drawn up by a large group of expert architects. Numerous plans are included in their book, which may be ready for distribution to building and loan companies throughout the country within 3 or 4 weeks.

The associations, having almost all of their $9 billion assets invested in mortgages on thousands of homes throughout the country, have a selfish interest in seeing that builders get the most possible for their money. The rapid depreciation of a poorly constructed home injures all parties interested in it.

The extent to which the associations will use the booklet will vary. It was originally intended simply as a guide and adviser to the prospective builder. However, some associations may set up the standard specifications as a criterion for use in considering loan applications.

Building Trade Wages Hold Up in Most Cities

WAGE scales in the building trades are so high that they have seemed to many business men particularly vulnerable, and they are watched carefully for indications of a decline which may spread through other fields. Besides, the importance of construction to general business activities makes everything affecting its progress of prime interest. So it is significant that there still appears to be no concerted attempt to break building trade wage levels. Information supporting this opinion expressed here before (*The Business Week*, June 18 and 25) is substantiated by a survey just completed by *Engineering News-Record*.

It finds that in a number of cities below-scale wages are being accepted by certain trades; that smaller contractors, particularly, are hiring men on this basis. In general, however, wage scales are being held and, in some cities, have even been increased this year.

In Richmond, Va.; Jacksonville, Fla.; Kansas City; San Antonio; and Minneapolis, building trade workers, particularly carpenters, plasterers, and plumbers, made idle by the decline in residential construction, are accepting work at almost any wage—in Jacksonville at

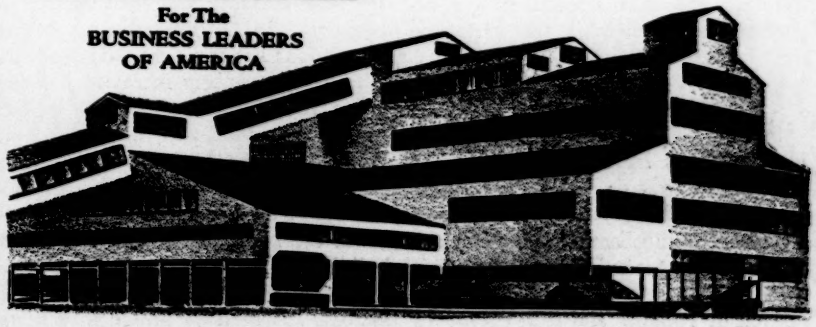
FAMOUS READING ANTHRACITE

PREPARING 12,500 TONS OF ANTHRACITE PER DAY

Stone & Webster Engineering Corporation designed and built the largest hard coal breaker in the world for The Philadelphia and Reading Coal and Iron Company. This single unit prepares 12,500 tons of coal per day at record speed — crushing, cleaning, grading, and delivering it in various sizes to freight cars.

Stone & Webster engineers are helping many companies to increase speed and efficiency of operation. Our experience in completing over a billion dollars of construction is available to clients in planning and building their work.

BUILDERS and ENGINEERS
For The
BUSINESS LEADERS
OF AMERICA



STONE & WEBSTER
ENGINEERING CORPORATION

A SUBSIDIARY of STONE & WEBSTER, INCORPORATED

slightly above the pay of common labor. Minneapolis is chiefly open shop, but employers adopted a new, higher wage scale effective April 1. All large contractors pay it, small ones cut. Union workers accept open shop scale which is less than union.

New York contractors and employees are abiding by wage agreement to expire in 1932. Carpenters, hodcarriers, and concrete laborers are working below scale, but they always do. Below scale work is confined to non-union jobs of which there are few in the city. Urbana, Ill., reports no wage cutting. Oswego, Ill., trades are busy with remodeling and repair; wages are being maintained. Trenton, N. J., has extensive unemployment but strong unions prevent any wage cuts. In Oklahoma City non-union wages are below union but latter are being maintained despite great unemployment.

In the Albany-Troy-Schenectady district of New York a wage increase became effective May 1. Unusual volume of state and municipal work has kept building trades busy. The 5-day week is operative and union scales are being maintained. In Salt Lake City no scale cuts are expected. Sacramento trades signed an agreement on June 1 which established the 5-day week and permits no wage cuts for 2 years. Fewer than 10% of the mechanics are unemployed; laborers are paid more than ever before.

Building and Loan Program Aims To Get More for Home-Owners

A NEW national headquarters of the United States Building and Loan League opened in Chicago July 5 and 12,340 building and loan associations, heretofore modest and retiring, are planning action to correct misunderstandings now existing about themselves.

"We must cooperate with the building industry to find ways to make the building dollar go further," asserts H. M. Bodfish, executive manager, himself a former builder. "At present a workingman's dollar invested in a home buys less than it does invested in any other necessity of life. Homes are still custom-built. Methods are about the same as those in use when the first building and loan association was organized in Philadelphia 100 years ago next January."

Still a "Movement"

Strong leadership in the building and loan field has large reserves of latent goodwill to draw on. The "movement" —they still call it that—is imbued with a tinge of evangelism. Associations are mutual, non-profit. Management is sincere, devoted to the cause. At a convention of building and loan executives a glowing eulogy of that great institution, the American home, aroused tremendous applause. "A bunch of hard-boiled real estate men would have got up and walked out," an observer remarked.

Wage-earners seek not only money but advice from building and loan executives. This advice is a strong influence on building in any locality. The building and loan association is the workingman's bank.

Associations have weathered the present depression well. In Philadelphia a few got into difficulty by straying from the straight and narrow path into the field of second mortgages. In Chicago, the only large city where there are hardly any building and loan associations of substantial size, the residential building slump is unusually acute. Elsewhere associations appear to be acting as financial shock-absorbers.

12 Million Members

One-tenth the population of the United States, over 12 million people, are now building and loan association members. In 20 years the number of associations has more than doubled, the number of members increased 6 times, assets 10 times, to almost $9 billions now. Over 90% of this is used in financing home buying and building, 500,000 new homes having been added last year. Insurance companies and banks offer increasing competition, but building and loan resources and loans keep on mounting just the same. The increase has been $4 billion in 5 years.

A notable record for safety has been established. Losses in the past 10 years have ranged from 14/1000 of 1% to 1/1000 of 1% of total resources.

Honest and competent, if not brilliant, management; thrifty, dependable shareholders; sound policies of appraising, loaning, and collecting in weekly or monthly instalments; diversification of risk through having all small, no large, loans—these are the main reasons. Loans tend to be larger, rather than smaller, than those from other agencies. Second mortgages are done away with. Construction loans are made permanent, avoiding expense of refinancing. Small loans to finance home modernization are sought by many association managers.

The "Primary Production" Is Falling Off

THE primary production of all—the birth rate—is still falling off, it is revealed by statistics made public by the Census Bureau. For the country as a whole, there were 78,063 (nearly 4%) fewer births in 1929 than in 1928. In all but 4 of the states, the number of births in 1929 was less than during the preceding year.

The greatest decrease in the number of births was in Pennsylvania—11,245; greatest percentage of decrease in Florida—10%. The only increases came in Arizona, Michigan, Montana, and Tennessee.

But the infant mortality rate declined nearly 2% in 1929 over 1928.

Pacific & Atlantic

NEW JOB FOR GIRLS

This German young woman lays brick—not as a trade, however, nor yet as a stunt. She is an architectural student, getting some practical fundamentals

Wide Reading

INDUSTRY AND THE AGED. Robert Howe. *Harvard Business Review,* July. Measures proposed and adopted for old age relief, their effects on employee turnover and morale.

BALTIMORE ASKS A QUESTION. Hamilton Owens. *Reviews of Reviews,* July. A harbor that brought freight car and ocean steamer together made Baltimore a trading center in the last century. But the War taught it to take up manufacturing.

SOVIET TRANSPORT PLANS: WINNING THE EAST. Bruce Hopper. *Foreign Affairs,* July. Russia will spend $15 billions on railroads in 15 years; is already reaping profits from revamped services.

MODERN FARMING—SOVIET STYLE. Anna Louise Strong. *Atlantic,* July. Shrewd observations on the reactions of men at Russia's Shevchenko Tractor Station—and on the world's largest farm of 150,000 acres.

WASTE—THE FUTURE OF PROSPERITY. Kenneth Burke. *New Republic,* July 16. Says the author: "Dedicated to Henry Ford, who is planning to spend $100 millions on our education. Would that we had as much to spend on his."

THE DEPENDABILITY AND MEANING OF UNEMPLOYMENT AND EMPLOYMENT STATISTICS IN THE UNITED STATES. Royal Meeker. *Harvard Business Review,* July. Exposition of the real weakness of existing statistics.

THE DIRECT MAIL DOLLAR—ARE YOU SPENDING IT WISELY OVERSEAS? C. P. Huntington. *Export Advertiser,* July. Short cuts to efficiency and economy in reaching the retail buyer abroad.

REBUILDING A NATION'S RAILWAYS. Charles Layng. *Railway Age,* July 5. Germany tackles a gigantic task and is rapidly achieving success.

OPPORTUNITIES FOR THE SALE OF AMERICAN FOODS IN VENEZUELA. O. R. Strackbein. *Commerce Reports,* July 7. Careful details, helpful suggestions in a potential market.

MODERN DESIGN AS INFLUENCED BY MODERN MATERIALS. Charles W. Killam. *Architectural Forum,* July. If architects are to dominate the design of buildings, must they not be modern in more than mere surface treatment?

AIR LINE PASSENGER FARES AND EXPRESS RATES. *Air Transportation,* July. Special issue with revisions to July 1.

AMERICAN CAR AND FOUNDRY. *Fortune,* July. Means anything from scows to yachts, from manhole covers to carburetors, but especially does it mean freight cars. And if fewer freight cars, then more buses.

HURDLING THE CUSTOMS BARRIERS ON YOUR FOREIGN MAILINGS. Roberta Wakefield. *Export Advertiser,* July. Is there a C.O.D. on your direct mail literature going abroad? Is your foreign prospect forced to pay charges on catalogues and samples? Peculiarities in South America.

RADIO FOR ROBOTS. William Orton. *New Republic,* July 9. Rather lucid statement of the case for and against radio monopoly—and the R. C. A.

INSPIRATION
—in a
POP-CORN STAND

You MIGHT not think that the same engineers who helped perfect wireless telegraphy would trouble themselves over so commonplace a thing as a corn popper. Yet we are no prouder of those Robbins & Myers generators which first made Marconi's dream a reality than we are of the new R & M Frenchflake All-Electric "Wet" Popper. Swiftly, automatically, at the touch of a single button, this amazing machine feeds, pops, stirs, seasons and sifts out unpopped kernels—converting raw corn into tid-bits of ravishing flavor as magically as an Aladdin's lamp. And like that talisman, it is bringing fortune to its purchasers—in some instances, so fabulous that a bank president might well be envious. Never before has corn been popped so economically, so quickly, so deliciously on a commercial scale. The Frenchflake does everything but make change—and it often requires two men and a boy to do that!

If you have a problem in electrical-motored machinery come to Robbins & Myers. We offer you the facilities of a completely modern plant and the experience of 32 years' precision manufacture in designing, building and applying electric motors, generators, fans and electrical appliances

Robbins & Myers, Inc.

Springfield, Ohio **Brantford, Ontario**

1878

1930

FANS, MOTORS, HAND AND ELECTRIC HOISTS AND CRANES

Small Salaries, Plus Bonus, Rule Today in Big Business

E. G. Grace's Pay Unparalleled, But One $350,000 and Several $250,000 Salaries Are Known

DEEPEST, most intimate, most inscrutable secret of every man—last, most treasured of personal modesties—is your salary. Your faith, your vice, your tender love you may reveal, but your salary never. Honor, taste, manners, terrible triumvirate, impose their veto absolute.

Yet it came about this week that the largest salary that has ever been imagined was pried into, forcibly extracted, triumphantly exhibited to the vulgar gaze.

Cyrus Stephen Eaton hurls his bolts against the fortress of Bethlehem and Youngstown combined. Against Eugene Gifford Grace, against Charles Michael Schwab, he brought the charge that each one of them was drawing pay from Bethlehem alone, call it salary, wages, bonus, commission, remuneration or what you will, at the rate of at least one million dollars a year through thick times and thin, whether common stockholders got any dividends or not. No wonder Ivy Lee was sent for. Fine reading this would make for the unemployed, the fired, the penniless, not to mention common stockholders! (It should always be borne in mind that the Cleveland clubs of Cyrus Eaton are the Pepper Pike and the Chagrin Valley.)

Upshot: Mr. Grace modestly admitted $12,000 in annual salary. The little Youngstown court gallery howled. As additional bonus he could specify only "a factor of 1½." But 1½% of what? He did not know.

Schwab Letter Produced

Mr. Grace continued not to know. Finally a subpoenaed letter from Mr. Schwab fixed bonus ratings at some 8% of net earnings before depreciation, to be divided among "fourteen or fifteen" executives, in what proportion deponent saith not. Then Mr. Grace spoke out. A bonus of $1,623,753!

The popular notion and boyish ideal that there are a lot of princely salaries in America or the world is, like most popular and youthful thoughts and hopes, sadly in error.

Among recent American business men the most important one who lived on a salary was the late, great Judge Elbert Henry Gary. When Morgan the Great ordered him to New York to head the experimental Steel Trust, the judge demurred gently on the ground

Pacific & Atlantic

EUGENE G. GRACE

that the business—the steel business, that is, not the stock selling business—would not justify a salary equal to his then income as a Chicago corporation lawyer. When Morgan learned that his total annual honoraria amounted to only $75,000 he poofed and poo-hooed. Gary was brought on at $100,000. Gradually the salary was increased until he finally received $250,000. But in the meantime he twice reduced his own salary, during bad years.

Eventually a bonus system was inaugurated. The greatest remuneration, salary plus bonus, that the judge ever received in any one year was just a little bit less than $425,000, and that was in the famous boom year when America had just entered the World War.

The attitude of Judge Gary toward salary princes was shown in the famous incident of the flashing before him by then President Schwab of his million-dollar-a-year hang-over arrangement with Andrew Carnegie. "We'll let Mr. Carnegie look after that," he replied drily, when Schwab wanted to know what he proposed to do about this inherited contract.

As president of the new trust, Schwab was taken on at $100,000 a year, Gary's own pay. When Gary put him out he hired another man, Corey, also at $100,000, still his own salary. But when he fired Corey he promoted Farrell from a vice-presidency and allowed him only $50,000.

The highest fixed salary now paid or ever paid in any standard business—meaning the exclusion of amusement or theatrical trades or new-fangled promotions—is today received by George Gordon Crawford, president of Jones & Laughlin. It is $350,000 a year on a contract which is known to run three years and which may run five. Mr. Crawford, who was Gary's own discovery and who was considered to be the judge's choice for successor to himself, was recently lost to the Steel Corporation where he headed Tennessee Coal & Iron. Jones & Laughlin's offer to him was precipitated by their parting of the ways with the famous Tom Girdler, who left to join the Eaton forces.

Here Is the Low-Down

The Business Week reporter who went over the town last week indiscreetly prying into salaries had a little if not a great deal of success. Some results, forcibly anonymous, but reasonably certain:

1. The top flight of American salaries, outside of oddity industries, is $250,000 a year plus bonus. Five and perhaps six men receive such a wage. It is easy to guess who they are.

2. A few men hold several jobs, even more than one chairmanship. It is probable that they receive several full salaries. There is one outstanding example and nobody can miss it.

3. Men who have imposed their names on companies traditionally draw down bigger salaries than men who have risen in old dynasties. Examples: Harry Sinclair probably takes more salary than Walter Teagle receives from Standard Oil of New Jersey. Mr. Fox, despite his troubles, is alleged still to receive a monumental stipend, compared to which the pay of the president of an old-fashioned railroad would be trivial.

4. In the oil industry—our first industrial enterprise so far as size is concerned—salaries are astonishingly small. The reason is that many presidents are

Thanks to Regional Conditions —To Strategic Location— KANSAS CITY IS PROSPERING

WHERE are the brightest spots on today's business map? *Kansas City is one.* Year after year, regardless of general conditions, businesses located in Kansas City expand and grow in response to the demand of 19 million people for service and economical delivery. In *sub*normal times, Kansas City branch plants frequently show profits when houses in other cities are struggling to break even.

¶ If you do not know the Kansas City of 1930, you owe it to yourself and your business to get acquainted. Construction is at its height. Industry after industry shows sales records equalling or surpassing the first six months of 1929. *More of the nation's capital is being invested in Kansas City construction and industry today than ever before.* And Kansas City has no unemployment problem.

¶ This situation at a time when other sections are hesitating foretells continued and increasing prosperity for manufacturing organizations able to serve Kansas City's 19-million-territory *from Kansas City.*

CONSTRUCTION

Never in any period in its history has Kansas City witnessed such construction activity in its downtown area.

¶ Practically every new building was financed with capital from other sections by investors who investigated and determined on Kansas City as one of the nation's soundest cities, *not only today but for many years to come.*

NEW INDUSTRIES NEEDED

One by one, industries are moving *to their principal markets.* ¶ Comparative freight rates in all classifications *prove* that commodities can be delivered more economically to one-seventh of the nation's population from Kansas City. ¶ New industries are now needed in Kansas City to round out its manufacturing production and provide locally made commodities that now must be purchased elsewhere.

NEW INDUSTRIES

Steadily, new industries are coming to Kansas City to cultivate this 19-million-market more intensively, more economically. Industries bound to other centers for generations are finding Kansas City profitably receptive to their products.

¶ Industry here finds every production advantage, *plus this market of 19 million people reached more economically from Kansas City than from any other metropolis.*

LET'S LOOK AT THE FACTS

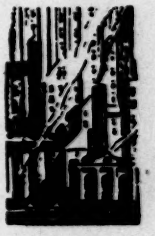
If you are a sound, going concern, this organization will place *the facts* before you. In the strictest confidence, competent engineers will give you an understandable survey of every phase of the production and marketing of your line in Kansas City.

¶ If you wish a confidential survey, write us on your business letterhead as indication of bona fide interest, without obligation, of course.

INDUSTRIAL COMMITTEE OF THE CHAMBER OF COMMERCE

KANSAS CITY

MISSOURI



INDUSTRIAL COMMITTEE,
CHAMBER OF COMMERCE,
KANSAS CITY, MISSOURI.

Please send me the facts about Kansas City. I am interested in the_____industry.

Name _____

Firm _____

Address _____

City _____ *State* _____

{I saw your advertisement in The Business Week}

5¾%

A SEASONED investment widely purchased by conservative investors—banks, insurance companies and institutions, Associated Gas and Electric Company 5% Gold Debenture Bonds due 1968 yield at the present market over 5¾%.

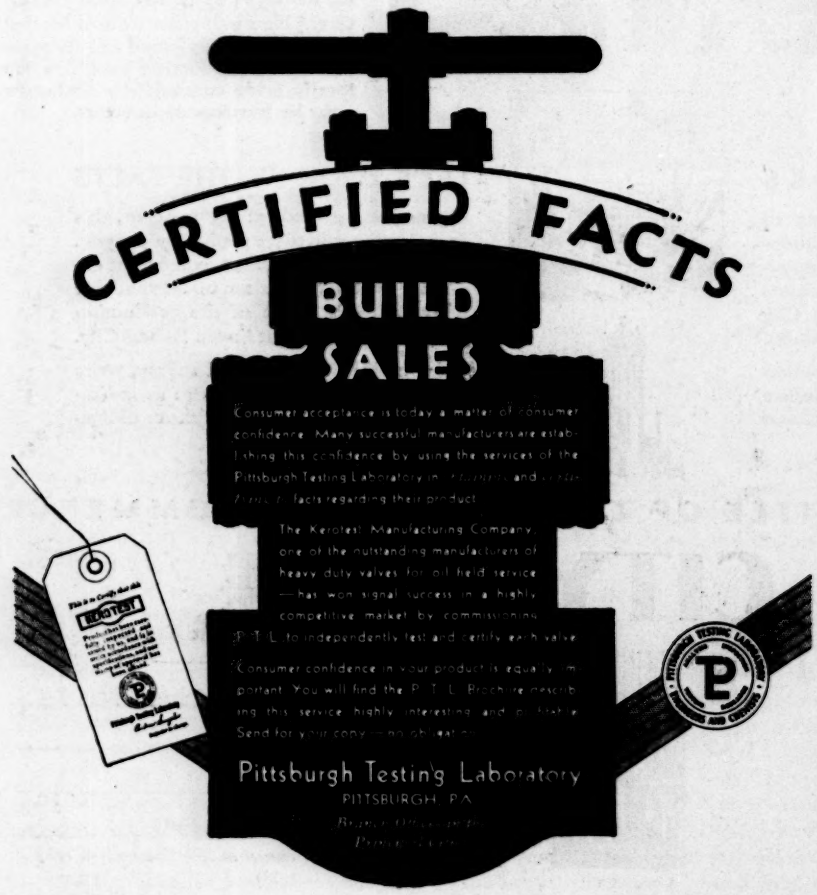
Investment may be made by paying cash in full or $10 with subscription and the balance in monthly payments of $10 each.

Price on Application

Associated Gas and Electric Securities Company

Incorporated

61 Broadway — New York City


CERTIFIED FACTS
BUILD SALES
Consumer acceptance is today a matter of consumer confidence. Many successful manufacturers are establishing this confidence by using the services of the Pittsburgh Testing Laboratory in
facts regarding their product.
The Kerotest Manufacturing Company, one of the outstanding manufacturers of heavy duty valves for oil field service—has won signal success in a highly competitive market by commissioning P. T. L. to independently test and certify each valve.
Consumer confidence in your product is equally important. You will find the P. T. L. Brochure describing this service highly interesting and
Send for your copy—no obligation.
Pittsburgh Testing Laboratory
PITTSBURGH, PA.

promoted inventors who receive far more in royalties on their refining inventions than they do for their executive services. There are two outstanding cases, and in each the head of a great company got his place more as a sort of honorary recognition than because he was apt as an executive.

5. The businesses that pay men highest are small, second-class sort of industries in which profits are suddenly large, usually because of some novel invention or some novel selling appeal. These men, however, usually lose back their salaries into the void because they subscribe enthusiastically to stock when it is high.

6. Even mediocre professional men and fellows in business on their own make more money than the highest and ablest of the general line of big company heads. The town is full of bootleggers who make more than elderly railroad and public utility presidents.

7. The shrewdest salary contract in the world is possessed, worthily, characteristically, by Sir Henri Wilhelm August Deterding, head of the Royal Dutch Shell group. He draws 300 pounds a year on a life contract signed thirty years ago. He can receive no bonus. But under the contract he does receive 3% of the net profits of the original company and of all its subsequent subsidiaries. This commission amounts today to some $5 millions a year.

Over tables in Wall Street's fifty-seven luncheon clubs last week executives worried just a little about the bonus panic which that man Eaton had so embarrassingly precipitated. After all, said the more reasonable bosses, hourly paid labor has paid its share in the general adversity through lay-offs and short time. And were there not 40 thousand jobless white collars in Wall Street alone? Then why should they not surrender something, also, those favored few atop the none too steady ladder of career?

Burlington Will Help Out Rear Platform Jumpers

AND now the railroads are going into the haberdashery business. The Burlington system is laying in a stock of pajamas on its crack trains to sell to absent-minded or hurried travelers who get aboard without their accustomed sleeping garments.

In addition, the unprepared traveler will find a stock of razors, blades, shaving soap, and other toilet articles. It's another move to ease travel.

New Tariff Leaves Valuation Unchanged Pending Study

Way Left Open for Radical Alteration When Commission Reports Findings in 1932

NEXT to the flexible provisions of the new tariff, its most important feature is what it proposes to do about the basis on which imports are valued. In the new law, valuation is left unchanged and therefore unsettled, but the way is prepared for radical changes. The problem is safely sidetracked for two years while the Tariff Commission works out a conversion of rates from the foreign to domestic basis. After that one of three things may happen: (1) no positive action; (2) acceptance of a new valuation base; (3) reopening of the tariff to another general political revision.

Against this dangerous third alternative, business must guard by watching tariff developments between now and 1932. Though the new flexible provision probably will stave off any Congressional tampering for a time, tariff still is very much in politics. The completion of an extensive report on the valuation question just before the 1932 Presidential campaign may serve as an excuse to reopen the whole weary issue once more.

This coincidence of dates was called to the attention of Senator David A. Reed, Pennsylvania protectionist, on whose motion the valuation probe was ordered to save the issue from oblivion. The Senator told *The Business Week* that he would not be at all sorry to see tariff come into the national arena again. "It is the best issue we have," he said. His idea is popular with the minority leaders who plan to make the tariff one of their main fighting points.

Not Really Vital

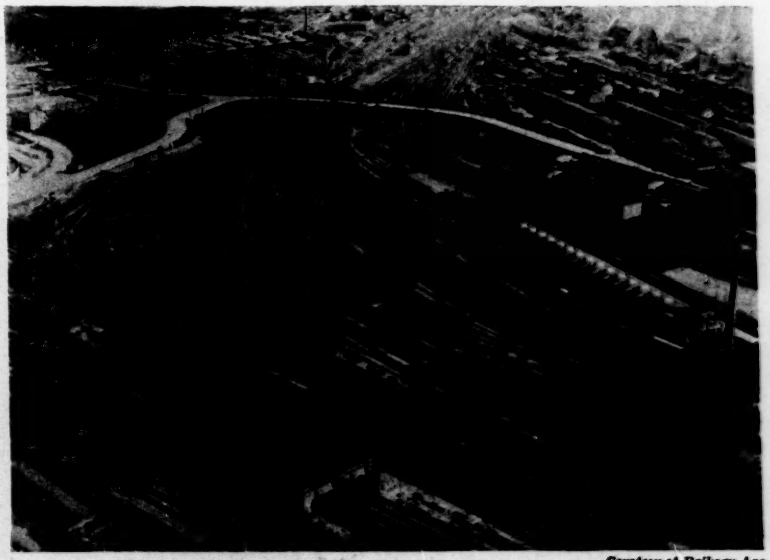
Intrinsically, valuation is not vital. To shift from foreign to domestic basis might clear up some evasions of the law but the present set-up is working well enough in most respects. The bulk of imports are appraised at the foreign or export value, whichever is higher. Foreign or home market value means the price at which foreign merchandise is freely sold to all purchasers, in the usual wholesale quantities, in the ordinary course of trade in the country of production. Export value means the price at which foreign merchandise is sold freely for exportation to the United States. If these two bases fail, United States value may be applied, even under the present law: the wholesale selling price of the imported commodity in the United States. If none of these methods can be applied, cost of production, the most difficult base of all, may be adopted. Under the Fordney-McCumber Act, the American selling price was named as a final alternate: the wholesale selling price of a domestic article similar to the imported item against which the duty is to be levied. In the 1930 law, this does not apply at present except in the case of coal tar dyes and intermediates.

In adjusting an ad valorem rate case under the flexible provisions, the American selling price can be used if a 50% change in the rate fails to equalize the cost of domestic price with that abroad under the foreign valuation. Thus flexibility can be used to change the actual customs collection much more than 50%.

The valuation problem does not affect the specific rates levied in terms of cents per pound or on other weight, volume, area, or linear measure. It applies mainly to the ad valorem or percentage rates. There is controversy as to whether specific or ad valorem duties are best. The specifics are easier to handle and there is no guesswork about them when they apply to bulk commodities or measurable goods. Since they are fixed, they represent a larger percentage of protection when prices are low than when prices are high, acting as an automatic check during depression and widening the importers' margin during peaks. However, where weights and measures bear no relation to appraisement or are difficult to apply, duties are levied as percentages ad valorem—literally, according to value. An ad valorem rate acts contrary to the desires of protectionists because it lowers the customs duty as prices fall and tariff help is most needed.

Offenders Are Few

One contention against the foreign basis is that it permits more undervaluation of goods than might occur under United States value. Theoretically this sounds convincing but the proponents of a change have failed to bring forth many specific instances to prove their case. Most valuation frauds may be traced to a few small or occasional importers. The established, reputable men who handle the bulk of import trade keep within the law. If



Courtesy of Railway Age

CROSSROADS OF EUROPEAN TRAFFIC

The filaments of Germany's 33,541-mile network of railroads enter some of the country's main cities from six or seven directions, creating an acute terminal problem. Passenger car yards, like this one at Leipzig, help to keep traffic running smoothly under difficult conditions

domestic valuation is applied against whatever frauds there be, it makes appraisement easier through the general run of bulk commodities where checking abroad would be difficult, but in other instances, especially with new types of goods, there would be ambiguities ending in legal tilts.

When advocated in the late tariff hearings, the change from foreign to domestic basis was suspected as an adroit move to increase all duties without seeming to do so since the domestic price on imports tends to be above the world price. Advocates of change asserted that American prices would not advance under such a plan because to raise the commodity price index would give the importer a greater margin of profit since that index would determine his rate; that few rates would have to be changed in the process. This is what the Tariff Commission is studying.

Australia Again Raises Tariff, Bars More Imports

AUSTRALIA is the world's extreme example of tariff desperation. Facing a financial crisis, she has seized the tariff medicine bottle and is draining it to the last drop, with other drastic fiscal expedients as a chaser.

Practically, Australia has isolated herself from world trade, withdrawn into her far corner of the globe to cure herself. Following the sharp increases in her tariffs, and actual prohibitions of some imports, imposed in May (*The Business Week*, May 14, 1930) the new budget introduced two weeks ago by Prime Minister Scullin carries the practical exclusion of imports several steps farther.

H.C.L. Higher Still

A flat initial duty of 2½% is imposed on all imports—a kind of normal tax—and further increases over the surcharges imposed two months ago are made in tariffs on gasoline, tobacco, cigarettes, films, newsprint, and radio tubes. In addition, existing internal excise taxes are increased, a sales tax of 2½% on nearly everything sold in the country is introduced, postal rates are increased, and income taxes raised by from 10% to 15%. The result is estimated to add $5 per capita to the weekly cost of living of Australians.

The reason is that large foreign borrowings by Australia in recent years have increased the amount she has to pay abroad in interest and amortization. The decline in prices of her principal exports, wool and wheat, in the past year has made it more and more difficult for her to get foreign exchange with which to make foreign payments on these debts and to buy foreign goods. She has shipped much gold to England and borrowed on short-time notes in London in hope of maintaining her exchange, but ineffectually. Sir Otto Niemeyer of the Bank of England has gone to Australia to see what can be done to help her out.

Imports Down, Taxes Up

Drastic restriction of imports has been necessary anyway in order to protect her foreign credit. But this restriction has cut her customs revenues, so that increased internal taxation has been necessary to avoid a budget deficit.

All these expedients seem to leave the country worse off than before. The paradox of protection carried, as in this case, to the extreme is this: Only increased exports can correct Australia's situation. Higher tariffs are tending to shift labor and capital from the export to the domestic industries. The more imports are cut the more taxes have to be raised and the more living costs are increased. The result is an increase in production costs all around, so that the capacity to export in competition with other countries is diminished. The less able the country is to sell abroad the less able she is to borrow abroad.

This vicious circle is involved in some measure in all protective policies, but Australia affords today the extreme object lesson, in simplest terms.

No End to Requests for Tariff Changes

SINCE the list published in *The Business Week*, July 16, the following items have been dumped onto the commission by Senate resolution:

Canned tomatoes; confectionery; laminated products in sheets; pimentos; infants' knit outerwear; matches; lumber and timber of spruce, pine, hemlock, or larch, and also of northern white pine, Norway or red pine, and eastern spruce; window glass; fourdrinier wire cloth; window glass; boots, shoes, and hides. An investigation has been ordered on cocoanut oil and copra from the Philippines and other producing regions, palm oil, palm kernel oil, whale oil, rapeseed oil, perilla oil, and sesame oil, with a statement of the principal uses of these oils and of the kinds and amounts of domestic oils and fats replaced in domestic industry by such imports. This is relatively ineffective for the present as most of these items are on the free list, at least if denatured. The commission is starting immediately on an investigation of the entry of fish or other marine products from vessels owned, chartered, leased, or rented wholly or in part by aliens whether or not domiciled in the United States.

International

FANS, ASH TRAYS, TEA CUPS

Japan's financial leaders meet to discuss the government retrenchment policy forced by falling silk prices and exports. The gentleman with his head in his hand seems particularly dejected

"Economically Absurd" Austria May Pay Its Way, After All

By Special Cable to The Business Week

AUSTRIA'S second great international loan has given the Bank for International Settlements its first big non-reparations job. The board of the International Bank has assumed trusteeship of the $100 million loan for the Austrian government, $60 millions of which were offered on financial markets in New York and in 7 European countries. This loan is the second step in the financial rehabilitation of Austria, the first having been the loan of 1923, which brought $126 million to Austria. The United States share in this new loan is the same as in the previous loan, $25 millions.

League's Aid Historic

The Austrian situation is peculiar. Precipitous currency depreciation which followed the collapse of the old Austro-Hungarian Empire was ended by the 1923 international loan which was sponsored by the League of Nations. It was necessary to use only 25% of that loan to balance the 1922 and 1923 budgets, deficits in which were largely incurred by the federal railways, posts, and telegraphs.

From 1923 through 1929, there were extra budget investments of $180 millions, of which $95 millions were for railway electrification, and $50 millions for posts and telegraphs. The largest share of this amount was spent improving the Austrian section of the international long distance cables.

The present Austrian public debt totals $288 millions, or $45 per capita, and service requires $27 millions, or roughly 10% of the budget. Private foreign loans in the last 5 years—there was practically none before that time—are calculated to total $65 millions, in which American participation covered $50 millions.

Big Invisible Income

That Austria, with a population of only 6½ millions, has maintained stability of exchange, indicates relatively huge invisible foreign incomes. Probably no country in Europe follows such a complex economic existence. Dismemberment of the Austro-Hungarian Empire left Austria a pigmy state only 400 miles long and scarcely more than a handbreadth wide, cut off from the sea, and wedged among Alpine ridges between frontiers of 6 contiguous neighbors. Moreover, nearly one-third of the population is congested in the capital city—Vienna.

Opinion at first was general that Austria couldn't continue to exist. Only recently has it been realized that the country can't live economically within its absurd frontiers except as it acts as a toll gate across Europe. It is the crossroads of transportation and trade, and the center of finance and distribution for an area greater even than the former empire. It thus offsets its own internal deficits with foreign revenues derived from dividends paid in Vienna upon capital invested throughout Eastern Europe and the Balkans, and from trade and financial profits and fees derived where one of the world's trunk lines transfers its goods to the ramified web of short length distribution. Tourist business is rapidly expanding and travelers' spendings increasing. Transit freight earnings on Balkan crops moving north and on northern manufactures being sent south add further revenues.

Schober a Strong Man

Earlier fears that Austria inevitably must succumb, are giving way now to a better understanding and to greater confidence in its economic possibilities. Under Chancellor Schober the country is in the strongest directive hands since Seipel accomplished the first international loan which saved Austria from utter collapse. Schober, since last fall, has not only averted an imminent outbreak and civil war between the urban Socialists and the provincial Fascists, but is now on the way to accomplishing the disarmament of the irregular militia of both factions. His visits to The Hague, Paris, London, and Rome made the present loan possible.

Under the Schober administration, there has developed a greater recognition of the importance of developing agriculture which students of Austrian economics believe must become, instead of industry, the foundation of the future prosperity. While Austria still is far from realizing its potentialities, which in many respects are comparable to those in Switzerland, conditions under which the new loan is being incurred show marked progress compared with conditions accompanying the last inter national issue.

Sunset is the burglars' sunrise!

Your night—their day! You're out! They're in! And again you're "out," in more ways than one, unless you Ætna-ize! An Ætna Residence Burglary Policy reimburses you for all articles stolen, and pays for any damage done to premises or property by those who come to steal.

Now is the time to get in touch with the Ætna-izer in your community. He's a man worth knowing. Look him up! Ætna writes practically every form of Insurance and Fidelity and Surety Bonds. Ætna protection reaches from coast to coast through 20,000 agents.

ÆTNA

Ætna is the first multiple line insurance organization in America to pay its policyholders one billion dollars.

Ætna Casualty and Surety Company
Ætna Life Insurance Company
Automobile Insurance Company
Standard Fire Insurance Company
Hartford, Connecticut

ÆTNA-IZE

Swift Survey of Business Abroad

EUROPE

By Special Cable to The Business Week

WITHOUT any significant actual improvement manifest anywhere, belief that business is scraping the bottom of the depression curve is finding notably wide, though cautious, expression. Levels reached by commodity prices, and interest and discount rates, certainly now fulfil academic premises to a general revival.

Exhausted purchasing power, however, awaits fulfilment of two further conditions before it will be able to respond to a favorable buyers' market: first, there must be greater relaxation of investment capital, still obviously hesitant to respond except to unusually good offerings; second, a profit-earning crop must be harvested to offset last year's non-profitable bumper crop. Present crop indications, fortunately, are favorable except in France and Italy. Here and there greater confidence in a future revival is promising, but it is unlikely that it can be translated into an appreciable actual improvement much before next year at best.

Event of the week was the initialing of the German-American motion picture agreement. Lawyers are now drafting the actual contracts whereby patent disputes, hitherto blockading international exchange of both apparatus and pictures, will be converted into an international partnership tantamount to world leadership if sustained and based on full interchangeability within the mutually accepted allocation of specific markets. So far as American pictures and the German market are concerned, the benefits of the agreement remain limited by the failure of efforts to mitigate German import contingent restrictions intensified last week by new laws passed by the Reichstag.

A series of other cartelization, production regulation, or price fixing conferences and negotiations feature current developments. They range through steel products, railway rolling stock, chain manufactures, nitrates, tin, zinc, rubber, sugar, and from merely national agreements to Continental and even to world integration of community interests. One section of the steel products cartel—bars, plates, sheets—has collapsed under the pressure of the world economic crisis. A second section—semi-manufactures, beams — is barely holding its own. The nitrate conference continues in Paris with any real possibility for a world understanding between the major natural and synthetic producers hampered by the obstinacy of Holland, Belgium, and Poland to make any production concessions, while France and Italy are holding out for quotas which are equivalent to present domestic consumption. Because this exceeds present productive capacity, other representations declare they would lose good markets in the deal. The combine of European zinc interests is faced by demands from the overseas producers, now combined to demand an agreement for a uniform scaling down of both European production and overseas shipments.

Delegates from Roumania, Jugoslavia, Hungary, Poland, and Czechoslovakia are meeting in Roumania to discuss the possibilities of forming a Danubian agricultural entente which eventually may be extended to include all Eastern Europe between the Baltic and Black seas and aimed to procure adoption by industrial Western Europe of preferential duties on European versus overseas agricultural products, notably grains. Representatives imply that Eastern Europe will offer in return preferential duties on European manufactures. Although there are many difficulties to impede the realization of this agreement, it is the first tangible action towards realizing the sentiment of "Europe for the Europeans" which characterized the recent Geneva tariff truce conference, and it may give special application to Briand's proposals for European solidarity.

By Special Cable to The Business Week

Great Britain — Commodities are dull, and the stock market is stagnant, but last week's slightly revived activity in cotton continues and is almost the sole basis for any real optimism. The Austrian loan remains 63% in the hands of the underwriters. Shipbuilding work in hand at the end of June was 62,000 tons lower than last year. Both iron and steel are less active. Unemployment, which is rapidly approaching the 2 million mark, has necessitated the borrowing of an additional $300 millions for the dole, and another loan is likely before Christmas.

Labor has revived the idea of import control boards as an alternative to any policy of tariffs but business men are solidly opposed. The government is considering an agricultural marketing scheme whereby the majority of the farmers will have the power to compel a minority to fall in line with any plan for price agreement and distribution plans. Rubber prices are expected to drop in the absence of government restriction on production. The wool depression continues, and hides and wheat are down.

The British are watching the effect of the French and Belgian protests to the United States tariff, but no official move is expected.

By Special Cable to The Business Week

Germany—Rejection of the emergency taxation decrees by the Reichstag, dissolution, and new elections in September are all factors bound to accentuate the general uncertainty and lack of enterprise which now aggravate industrial depression. Business is of the opinion that these dramatic political events are unlikely immediately to affect federal finances because the Dietrich taxes are expected to be put in operation this week in a slightly altered form by new presidential decree. The budget not passed by the outgoing Reichstag likewise will be promulgated by an emergency decree. Campaigning politicians face a gloomy outlook. The Moderate parties supporting the Bruening cabinet are split into nearly a dozen small factions. The probability that the new Reichstag will come into existence with strengthened Radical, Communist, and Nationalist wings and with no working majority is a worry to business.

Apart from the political and financial situation, interest during the week centered in the steel situation. In the quarterly report of Stahlverein, steel production declined 25%, orders 50%, compared with last year. The position is further aggravated by the breakdown of the continental steel cartel which, after the release of prices and production quotas, is now unable to regulate the market. The collapse of the steel cartel is particularly serious at the present moment for Germany, because the normal relation of German steel sales at home and for export is 70% and 30%, while the present decline in domestic demand has converted this proportion to a 50%-50% basis. Thus the drop of world prices is directly affecting one-half of German production, rather than the normal 30%, and there is every prospect for further unrestrained price cutting in European and other markets.

The Mansfeld Company, only copper

producer in Germany which shut down mines at the beginning of June, when labor rejected its offer of a wage cut of 15%, is now to resume production with a government subsidy of (1) 6% of the total wage bill, and labor returning under a wage cut of 9%; (2) a flexible subsidy dependent on the world copper price, and amounting at present price levels to $1 million yearly; (3) a freight rebate on federal railroads for coal used at the copper mines. Though the government claims the total subsidy is less than the amount of the unemployment dole otherwise payable to the 13,000 Mansfeld miners, the new extension of the subsidy system from farming to industry is viewed with apprehension by public opinion and by non-subsidized business interests.

The outstanding feature of June foreign trade was the sudden drop in exports of manufactured goods by 18% from $194 millions in May to $159 millions in June. Nevertheless, there was a favorable balance of trade in June of $25 millions, making the surplus for the first half year $130 millions in contrast with a deficit last year of $65 millions. Adoption by the Reichstag before dissolution of a law concerning the Gold Discount Bank stock, entirely owned by the Reichsbank, completes the reorganization of this institute as an export credit bank providing issue bonds totaling $300 millions. The reorganized bank will be a strong factor in the long term financing of German foreign trade.

The business press generally expresses disappointment at the results of the recent German-Soviet trade conference at Moscow which reached agreement only on some minor issues but failed to remove the chief German grievances. On the other hand, the Soviets are disappointed at the apparent refusal of the Germans to increase credit facilities on German exports to Soviet Russia.

By Special Cable to The Business Week

France — Statistically, business is holding its own. The June index of general production continued at 144, a figure which has not varied since November and which compares with 139, the average for 1929. July carloadings also are slightly up thus far. The business community, however, reports actual sales volumes shrinking with agricultural purchasing power particularly weak. The tourist season is exceptionally poor. Business sentiment is one of uneasiness and timidity and irritated disappointment over Tardieu's postponement—due to temporary loss of political control—of the national equipment program and the colonial loan which had been awaited to provide a fresh stimulus for summer.

Wholesale prices, particularly on imported items, dipped sharply at the end of June. The index figure at 544 compares with 623, the average for 1929. The index on domestic prices is now 115 points above that on imports, compared with only 31 a year ago. This is a complete reversal of the prewar ratio. Contrarily, retail indices show a further rising spread symptomatic of unwholesome credit inflation. Bankruptcies in the last 6 months were up 15%. June taxes, while above estimates, are materially below those of a year ago. This cannot be ascribed wholly to recent tax reductions.

Imports during the first 6 months of the year were down $150 millions, or 12%, with declines in foodstuffs and industrial materials offsetting a 20% increase in manufactures. Exports were down $80 millions, or 8%. Declines in materials were 16%, and manufactures 8%. Foodstuffs alone were up slightly. June exports, in particular, were 10% below the relatively constant levels during the previous 5 months. Whereas last year's crops permitted a reduction in foodstuff imports, and increased exports, unabated rains during the critical harvest weeks this summer are expected to result in substantial deterioration both in the quantity and quality of the new crop. Official statements maintain there is an exceptionally heavy carryover adequate to offset deficiencies and to make only normal imports required. With farmers still suffocated by last year's subpriced bumper crops and now harvesting an inferior short crop, there is prospect that already weakened purchasing power will be further crippled, despite the recent duty increase which resulted in a 25% appreciation in wheat prices and made them double prices on the Chicago market. This, and other circumstances, point to the probability that France, still among the most prosperous countries in Europe, next year will be among the countries where business is poor.

Though call money is still at 2%, money is tending to harden following the City of Paris $78 million conversion operation. The French automobile industry is alarmed at the prospect of Ford's manufacturing arrangement with Isotta Fraschini, which makes Italy a new source of competition. It is rumored that concerted action is being prepared with government support but what form it will take is still unknown. According to a bill in Parliament, the French Line will build a $30-million, 28-knot, 60,000-ton super-liner to be ready for the transatlantic service in 1933. According to the bill, if passed, the French Line will be granted a 3% government loan for $28 millions.

By Special Cable to The Business Week

Italy—Present business trends are contradicting former optimistic reports. Business is slow and collections are bad. The provisional treasury statement for the fiscal year ending June 30 shows the national income to have been $1,044,000,000 while the outgo was $1,036,000,000. Unemployment in June 30 was 322,287 according to national insurance fund reports. This compares with 367,183 on May 31.

Italian imports during the first 5 months of this year were valued at $510 millions; exports at $342 millions. In the same period last year imports stood at $626,700,000, and exports at $376,300,000.

LATIN AMERICA

Business continues most prosperous in Chile, though parts of both Chile and Argentina have been tied up by severe cold and storms. Low world prices still affect export trade with continued reaction on domestic buying.

Central American business is retarded by the price of sugar which continues at the lowest prices in history with no sign of improvement near.

Ford expansion in South America at this time is creating interest among business men. In Chile, Ford is increasing the capacity of his Santiago plant by 33%. Production of 27 cars a day in May will reach 40 cars and trucks by September, and will employ 400 men. In Argentina, the Buenos Aires assembly plant, which employs more than 1000 men, will be enlarged nearly 30%. Production at present is 120 cars and trucks daily. Expansion in Brazil is planned, is likely to be concentrated largely at the Sao Paulo plant.

Brazil—Excessive cold, with temperatures below freezing, is reported to have damaged 6 million coffee trees. Interpreted by coffee authorities, this damage is small, for average yield per tree is less than 2 pounds. This possible crop curtailment thus can scarcely exceed 70,000 bags. Compared with the surplus on hand of 16 million bags, the reported damage can do little to alleviate the glutted market.

***Tested* Plans that can increase *your* sales . . .**

Marketing and selling are not what they used to be. Sales quotas are constantly growing more difficult to meet. Old hit-or-miss methods are falling far short. Yet, thousands of executives and salesmen are actually increasing sales, widening markets, interpreting trends, planning and developing policies that are sound and successful. For there is a way—and the Library of Sales Management tells you exactly how they are doing it.

The Library of Sales Management

3113 Pages, 5489 Tested Ideas, Plans and Methods for Making a Business Grow

Here you are told how to train salesmen to SELL—how to build sales values so customers will really want to buy, how to play on human instincts, arouse human traits to action, how to increase sales. Here is the practical material for a salesmanship training course such as outstanding selling organizations are using to quicken sales, to boost expansion.

Never before has such a clear-cut, comprehensive presentation of proper distribution methods been available. You will find this Library replete with figures and data from a wide variety of actual experiences of business organizations. It shows you the costs for selling, buying, rent, fixed charges and upkeep in representative lines. More important are the significant principles which have contributed to lower operating expenses, larger volume of sales, and greatest net profit —all explained in detail.

Avoid costly experiments

With this Library at your elbow you can avoid costly experiments They have already been made for you! You have only to choose among the more than 5,000 plans waiting to be put to work for you.

Concise, interesting, easy to use, this practical sales-builder's guide gives you the newer marketing rules that every alert sales executive needs. Built from actual experiences of thousands of successful executives and firms, it shows you instantly the selfsame principles and methods by which they have increased volume, trained salesmen, captured markets, forecasted trends.

Examine these books for 10 days free

Business men, sales managers, advertising men, salesmen, men who are training others to sell have found these books of remarkable value. They are real tools of business. Take advantage of the 10 days' free examination offer. See these books—glance through them at your leisure and discover the rich mine of sales facts in store for you!

Fill in and mail this coupon—now!

McGRAW-HILL FREE EXAMINATION COUPON

McGraw-Hill Book Co., Inc.,
370 7th Ave., N. Y. C.

Send me the **LIBRARY OF SALES MANAGEMENT** for 10 days' Free Examination. Within 10 days after its receipt I will send you $1, and $2 a month for nine months, or I will return the books.

Name .....

Home Address .....

City and State .....

Name of Company .....

Position B.W.7-30-30

Briand's Plan for Union Draws Mixed Response from Nations

ARISTIDE BRIAND, practical idealist, has now the bulk of the replies to the set of questions he submitted to 27 European governments inviting criticism of his proposal for the creation of an economic federation or customs union. Thus far all but two nations have replied and there is sufficient material on hand to indicate that many hurdles will have to be taken before the proposal becomes a reality.

Great Britain is afraid of the plan. Such a union might run counter to the League of Nations. It may cause anxiety and resentment on other continents. Besides, England has its own colonies and dominions out of which she hopes to form an independent economic empire. Just the same the formation of such a union could do much to divert the attention of European nationals from the hostilities of the past to important common interests in the present.

The German View

Germany maintains that the present political framework of Europe should and must be recast if an economic federation is to succeed. She has in mind the Polish corridor. Italy concurs in this view, holding that European frontiers must be rearranged.

The small nations are opposed to this possibility and look to a plan for independent agrarian cooperation. Poland suggests the formation of an international agricultural entente of little European nations to operate if necessary apart from Briand's scheme. Jugoslav, Hungarian and Roumanian grain exporters have already conferred among themselves on a plan to establish a central agency for the marketing of their commodities.

Many Points Raised

The Dutch approve of the Briand plan as an effort which may lessen the probabilities of war. They are opposed to anything that might make for international discrimination. Holland has colonial possessions and depends upon them for her raw materials. She wants non-European states in the union.

Other points raised, deal with the surrender of sovereign rights of nations, the possible invitation of Turkey and Russia, the avoidance of antagonism toward nations not entering the union, related difficulties.

When the twenty-seven members meet in Geneva this September there will be much to discuss and do before the economic federation comes to life. Nevertheless Briand's cornerstone of his United States of Europe remains firmly in place, and some building materials have been assembled. In September, England will be making her own plans for another—possibly a rival structure—at her Imperial Conference.

American Firm to Help Britons Mine Abroad

AMERICAN penetration of foreign business came this week to British mining when American Smelting & Refining acquired "a substantial interest" in Great Britain's Mining Trust, Ltd. American Smelting, largest smelter and refiner of non-ferrous metals in the world, handles a third of the world's silver, copper and lead, controls mines in Mexico, Canada, Peru, United States. It will give Mining Trust technical advice in management and administration for 10 years.

Principal holding of Mining Trust is Mount Isa, Australia, reputed world's largest silver-lead-zinc deposit with 10,000 ton-a-day production possibilities. Under development, are large gold concessions in New Guinea, lead-zinc properties in France and Australia. Concessions in Rhodesia have copper possibilities.

Talkie Agreement Made As Outlined Last Week

OFFICIAL statements from the German-American talkie conference in Paris restated the facts cabled by *The Business Week's* Berlin correspondent (July 23). New York talkie authorities refuse to discuss details until Will Hays and other delegates return.

Results generally are considered an aid to the industry. The allocation plan gives to the Germans Central Europe, population 180 million, 11,300 theaters (5,266 in Germany), 466 equipped for sound.

American firms get the Americas, India, and Russia, 598 millions population, 27,855 theaters (22,624 in the United States), only 10,202 equipped for sound.

What the Figures Show

THE business situation in the middle of July is running true to form in the middle of a year of depression. Activity is still above the low levels reached in the middle of June but further decline may be expected before August. Except in building contracting and railroad movement of agricultural products, July is almost uniformly the weakest month of the year next to January.

Building is holding up well, but other basic industrial activity is at a low ebb. General trade during this month is beginning to show the effects of a long period of reduced employment and purchasing power as well as unfavorable agricultural conditions.

THE BUSINESS WEEK INDEX OF GENERAL ACTIVITY	Latest Week	Preceding Week	Year Ago
	*93.4	‡96.4	112.2
Production			
Steel Mill Operation (% capacity)	58	57	96
Building Contracts (F. W. Dodge, daily average in thousands, 4 weeks basis)	$20,779	$22,892	$24,017
Bituminous Coal (daily average, 1,000 tons)	*1,310	‡1,309	1,593
Petroleum (daily average, 1,000 bbls.)	2,500	2,531	2,894
Total Electric Power (millions kw.-hr.)	*1,790	*1,795	1,850
Trade			
Car Loadings (daily average, all classes, 1,000 cars)	153	158	178
Check Payments (outside N. Y. City, millions)	$5,562	$4,793	$6,543
Money in Circulation (daily average, millions)	$4,470	$4,526	$4,775
Wheat Receipts (1,000 bushels)	18,297	5,848	16,487
Cotton Receipts (1,000 bales)	20	16	48
Cattle Receipts (1,000 head)	*198	‡155	164
Hog Receipts (1,000 head)	*494	‡410	514
Wool Receipts (1,000 lbs.)	14,066	‡21,150	13,218
Prices (Average for the Week)			
Wheat (No. 2, hard winter, Kansas City, bu.)	$ .79	$ .81	$1.30
Cotton (middling, New York, lb.)	$ .133	$ .132	$ .188
Iron and Steel (composite, ton)	$33.14	$33.18	$36.68
Copper (electrolytic, lb.)	$ .110	$ .112	$ .178
All Commodities (Fisher's Index, 1926-100)	83.4	84.5	98.8
Finance			
Total Loans and Discounts, Federal Reserve member banks (millions)	$16,906	$16,869	$16,892
Commercial Loans, Federal Reserve member banks (millions)	$8,482	$8,502	$9,248
Brokers' Loans, New York Federal Reserve member banks (millions)	$3,226	$3,243	$5,908
Federal Reserve System Ratio	83.2	82.0	74.7
Stocks Sold (N. Y. Stock Exchange, 1,000 shares)	14,534	8,992	23,030
Stock Prices (N. Y. Times, average 50 stocks)	$201.45	$190.91	$281.55
Bonds Sold (N. Y. Stock Exchange, par value, thousands)	$42,269	$47,869	$65,604
Bond Prices (Dow, Jones, average 40 bonds)	$95.56	$95.35	$93.32
Interest Rates—Call Loans (daily average)	2.2%	2.4%	9.8%
Interest Rates—Time Loans (daily average)	2½-3%	2½-2¾%	7¾%
Business Failures (Dun, number)	452	428	376

*Preliminary ‡Revised

The Week's Index Figure

The Business Week's preliminary index of the volume of general business activity for the week ended July 19 declined further, as expected, to 93.4% of normal compared with the revised figure of 96.4% for the preceding week and 112.2% for the corresponding week last year. This decline reflects chiefly a fall in our indexes of building, check payments outside New York, and merchandise car loadings, together with small declines in coal production and currency in circulation.

The group of indexes representing production and construction declined from 99.2% of normal to 95.9%. The group representing general trade showed a somewhat less marked decline from 93.9% of normal to 91.2%. For the past four weeks the group of trade indicators has been running below the group representing production and construction, whereas during practically all of the year so far, as will be seen from the chart on page 36, production and construction have been running relatively lower than trade.

Steel Activity

Steel activity has risen slightly for the week. The average for the industry was about 57½% of capacity, compared with 57% in the preceding week. This is due to a slight rise in Steel Corporation operations from 63% to 64%, while independents showed no change at 52%. This upturn is too slight to be significant except as an indication that steel has stopped declining. The upturn comes at about the same week as in 1928, and if continued in the next two weeks will probably suggest that the bottom in steel has been passed. Although the trade notes no change in actual volume of business, sentiment is improved and expectation of increased activity at the beginning of August is fairly general. This will depend chiefly upon the extent to which forecasts of a strong upturn in automobile production are realized and upon the extent of general business improvement. Demand for automobile steel is somewhat better. Pipe line demand is still at a high level and structural steel awards continue above the average for the year to date. There are some signs of improvement in railroad business but demand from the agricultural implement field continues at a low level. Though prices continue irregular, there is less evidence of important changes in finished steel, pig iron, or scrap.

Our index of steel activity, adjusted for seasonal fluctuations and year to year growth, rose slightly for the week from 83.1% to 84.1% of normal.

Building activity is holding at a fair level. The general contract awards for the latest week, ended July 18, were above those of the preceding week, but the four weeks daily average declined and is below last year's level. Our index of building contract awards, adjusted for seasonal fluctuations and year to year growth, and based on the four

weeks moving daily average, fell from 111.2% of normal to 102.7%. Contract awards normally show a downward movement from June to the end of the year, but construction activity based upon contract awards during the first half is reflected in general business during the last half of the year. Heavy construction contract awards, according to *Engineering News-Record* figures, declined sharply for the week ended July 24 and were considerably below last year's level.

The daily average rate of bituminous coal production rose slightly for the week but remains considerably below the level of the past two years. Our index of coal production, adjusted for seasonal fluctuations and normal growth, is now at the lowest level so far this year and nearly 32% below normal. The declining tendency in the rate of coal production during June and July is a strong indication of curtailment in basic industrial activity and railroad traffic. Normally coal production shows a rise during July.

The rate of crude oil production declined for the week and is below last year but still above 1928.

Electric Power Production

Electric power production declined slightly for the week but is holding fairly well the average daily rate of the past four weeks. July is normally the lowest month in power production, so that our index, adjusted for seasonal factors and year to year growth, rose for the week and is about 1.8% above normal.

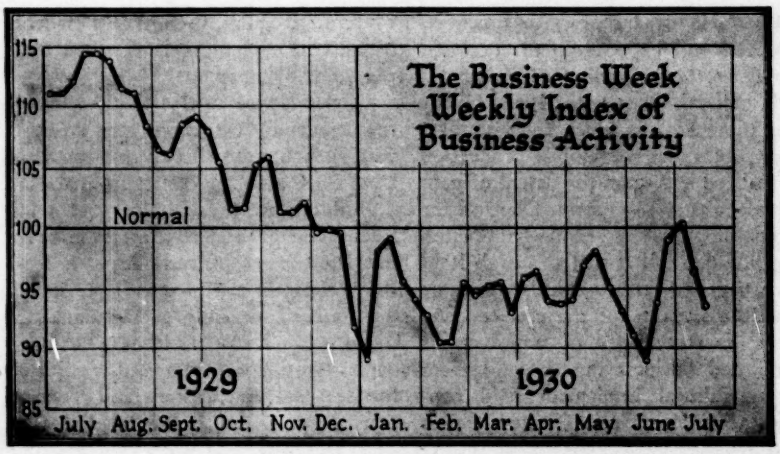
Commodity prices on the whole show continued steadiness. There was a larger number of advances during the week ended July 19 and a smaller number of declines in Dun's list than in the preceding week. Though the cash wheat average at Kansas City last week is somewhat lower, Chicago prices during this week have been fairly steady, but not showing the improvement expected from unfavorable crop reports. Corn, most damaged by drought, has been stronger. Cotton prices, somewhat stronger last week under reports of crop damage, have begun to give way to the pressure of unusually large stocks, reflecting low domestic consumption and exports. Sugar and rubber were weaker during the week, zinc stronger, lead steady, tin somewhat weaker despite successful organization for restriction of world production. The copper price is now finally down to 11 cents in an open market in which there are signs of revival of speculative trading, although buying for consumption is apparently not very active. The iron and steel composite declined somewhat further.

The Fisher All-Commodity Index showed a further decline for the week along with the National Fertilizer Association index. The rate of decline continues to be relatively low in comparison with earlier periods during the past year.

Our index of a selected list of important commodities showed a rising tendency during the week ended July 24.

The general trade indicators for the week almost uniformly reflect increased slackness. Total car loadings were up from the week including the July 4 holiday but 14.1% below 1929, the largest deficit with one exception so far this year, and 10.6% below 1928, the largest deficit so far in comparison with that year. Normally total car loadings should show a steady increase from now on.

Merchandise car loadings were 13.5% below last year and 11.4% below 1928, both comparisons showing the largest deficits so far this year. Our index of this group of loadings, adjusted for seasonal fluctuations and year to year growth, fell from 89.3% of normal to 84.4%, the lowest so far in 1930.



The Business Week's weekly index of general business activity, first of its kind, is based on eight series of weekly figures—steel mill operations, building contracts, bituminous coal production, electric power output, non-bulk carloadings, check payments outside New York, commercial loans of reporting Federal Reserve member banks, and currency in circulation. It shows the current level of the average daily physical volume of business as compared with the normal for the season and the year. Normal, represented by 100, is what the current volume of general business activity should be if the usual seasonal changes and year-to-year growth had occurred. For further explanation of the index see *The Business Week*, May 7, 1930, p. 39.

Check Payments

Check payments outside New York showed an increase of 16% for the week ended July 16, but were 15% below last year. Our index, adjusted for seasonal fluctuations, year to year growth, and changes in the general price level, and based on the average of the last two weeks, declined from 97.2% of normal to 92.3%. In 131 cities outside financial centers, bank debits were 16.2% below a year ago, the largest deficit so far this year.

Although the amount of commercial loans outstanding declined again for the week, our index, adjusted for commodity price changes, seasonal fluctuations and year to year growth, rose from 103.7% of normal to 104.9%.

The average amount of currency in circulation declined for the week and our index fell from 100.3% of normal to 99.1%.

The number of commercial failures increased for the week and is above the level of the past two weeks.

Our index of total loans and investments of reporting member banks, adjusted for seasonal fluctuations, normal growth and changes in the general price level, increased again after the temporary decline last week, and is 2.4% above normal, the highest so far this year. This is an encouraging indication that the rate of expansion of bank credit is being maintained.

Money and the Market

Stock prices pursued an irregular course this week, down from last week's high levels, up nearly to them, then down again. Traders and operators talk of "technical readjustments," while the movements bespeak an optimism a little afraid of itself. The optimism in the Street reflects the better sentiment about business spreading through the country.

Many additional corporation earnings' reports showed a slightly better tenor than expected. Samples: General Foods made $2.01 a share compared with $1.89 in the first six months of last year. Procter & Gamble's net profit was more than $3 millions above the first half of 1929. U. S. Pipe & Foundry showed $1.79 a share against $0.59. Cluett & Peabody earnings were 48 cents a share higher. Colgate-Palmolive-Peet's profit was 19% higher, Air Reduction 3 cents more on the share.

Railroad earnings are down, following the trend of the year. Automobile concerns generally make a pretty wretched comparison with a year ago, but the expectation of a pickup soon is gaining. Utilities' reports are uneven. Three increases stand out. North American made $5.06 a share for the year ended June, against $5.01. American Gas & Electric earned $6.10 the first half, comparing with $5.66. American Commonwealth Power's net in the year ended June was up 48%, gross up 32%.

Stock Distribution Spreads

Wider distribution of stock continues, showing many small investors taking a few shares each. Pennsylvania railroad has 49,413 more stockholders than a year ago. Packard, with nearly 70,000, has an increase of nearly 550% from a year ago. Transamerica Corp., holding company for the huge Giannini financial interests, went on the "big board" this week. This is part of a comprehensive plan for a large increase in stockholders. Though sales of stock continue small, the market throughout the country is being followed closely. A number of cities report well-filled customers' rooms in brokerage houses.

Exchanges in other cities are promoting themselves. Chicago is pushing expansion of its quotation ticker service through the country and has admitted Canadians to membership. The Los Angeles Exchange, at the home of the film industry, wants more motion picture stocks listed there. Memberships on most of the exchanges are of lower value for the time, though. A "seat" on the New York Exchange this week sold for $400,000, off $68,000 from the previous sale several weeks ago.

Bonds progressed upward and are higher than since late March. The stimuli of institutional buying and low money rates are having their effect. Investments of reporting member banks gained another $82 millions this week. That put the total almost even with the peak of 1928, which was an all-time high. The unprofitableness of funds put into call market, acceptances, and other short-term investments almost forces investments in bonds.

Rates in the money market were little changed in the week, but the outlook became less certain. The expectation had prevailed of some increase in money rates in the autumn, with a pickup in business demand for credit. An increase in time money rates gave this belief substance. But the Federal Reserve Bank this week cut its buying rate of acceptances with maturities of 45 to 90 days down to 1⅞%, the same as shorter maturities. This would indicate a desire to keep money cheap for some time, but isn't conclusively evidence.

Much more important in the system's operations was the $36-million decline in total bills and securities held. After a helpful activity in increasing credit recently, for some weeks now the system has been resting on its oars, and been carried backward by the stream of maturing discounts and acceptances. Discounts with the system are now at the lowest point reached thus far, and total bills and securities, at $924 millions, are almost to the lowest level.

Such a policy permits gold exports to have their influence of tightening money, when normally in such a period the reserve system would be offsetting them. Gold shipments this week totaled $22 millions, $18 millions of which went to France and the remainder to Canada. About $1½ millions came in from South and Latin America. Exchanges continue irregular to strong, and further gold exports seem probable.

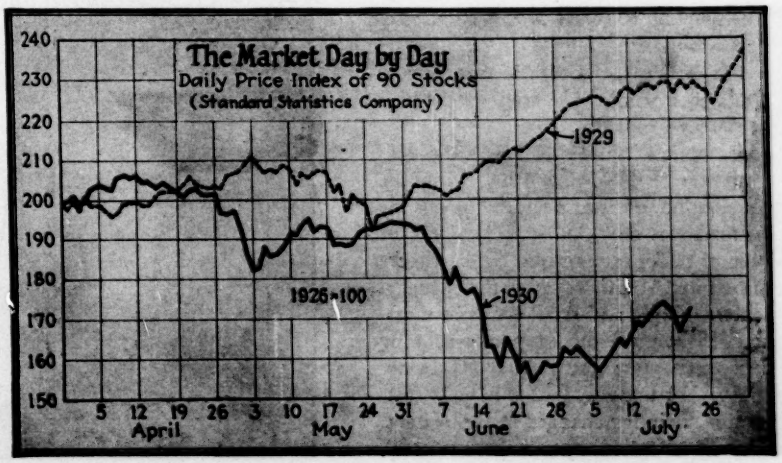
Brokers' loans moved downward again this week by $17 millions, reflecting slightly lower stock prices. The decline reflected further decreases in the loans by "others" and by out-of-town banks. New York banks assumed more of the total, now accounting for 50% of these loans.

The Situation Abroad

Markets abroad generally moved in the same direction as the New York Exchange. The Berlin Boerse was disturbed by political conditions. France took gold from England, as well as from the United States. Reports of increased circulation and rising prices from France indicate that she may be forced to pay the price of inflation for such amounts of gold. This while the remainder of the world is undergoing a sharp deflation.

The Hoover administration renewed its efforts to prevent restoration of higher income tax levels for this year's incomes. Cabinet members were called upon to delve thoroughly into departmental expenditures. The effect of three factors working for continued increase must be defeated.

Congressional appropriations added an estimated $200 millions. Governmental expenditures have increased regularly in recent years, seemingly almost of their own momentum. And the business depression reduces the amount of revenue from all sources.



Both Trade and Production In The Business Week Index

The Business Week's weekly index of business activity differs essentially from other weekly indexes of so-called "business activity" that have appeared recently, and from most monthly indexes of business, because of the elements that compose it. These other indexes, with the single exception of Carl Snyder's monthly index of the total volume of trade, represent mainly productive activity. *The Business Week's* index represents not only the basic factor of production, but also the most important stages of general trade.

Making Isn't Selling

This is essential in any index that is intended to reflect general business conditions. Every business man knows that producing things is not the same thing as selling them and that industrial activity is not a direct or immediate indication of business conditions. Statistical records also show clearly that production, especially in the basic industries like iron and steel and coal, farthest removed from the immediate consumer, fluctuate much more widely than the distribution and consumption, the buying and selling, of goods and services which make up the bulk of what is called business activity. Turnover of goods and services which make up American business amounts to over $500 billions a year, and like a vast reservoir, its level changes relatively little from time to time, although the many diverse springs and streams that feed it from specific industries and trades may change widely. As a rule, activity in the basic industries goes higher in booms and falls farther in depressions than general trade, and responds only with a considerable lag to changes in general business activity.

For example, during the first half of 1930 as a whole, pig iron output was 15.6%, steel 18%, coal 10%, cotton consumption in mills 20.5%, wool consumption 23.9% below 1929, while the distribution of manufactured goods by railroad was only 7.8%, the volume of general trade, as measured by the checks cashed in 131 cities outside the financial centers, 4.2%, and retail trade, as measured by the volume of goods sold by department stores, only about 1% below 1929. For these reasons it is quite misleading to judge changes in the general business situation by changes in steel, coal, cotton production. That's why the old barometer of business, pig iron production, has lost much of its significance.

The Business Week's index accordingly includes eight weekly indicators of business—practically all the comprehensive indicators available. Four of these represent various aspects of production; four, aspects of general trade.

Steel ingot production reflects activity and demand in an enormous number of metal-working and consuming industries.

The production of *bituminous coal,* which is still a main source of fuel and power for industry and transportation, reflects not only activity in a wide variety of industries, from steel to chemicals and public utilities, but changes in railroad traffic as well.

A Broader Reflection

Electric power output is similar to coal, but broader, in its reflection of industrial activity. In addition it reflects activity of electric railroads, business activity in stores and shops and offices, and the extent to which consumers are using electricity.

Building contracts, though classed as a measure of production, do not indicate immediate so much as future industrial and business activity. Contracts awarded this week spread their effects in demands for materials and equipment over months afterward, and are, therefore, somewhat of a forecast of activity to come, in steel, lumber, millwork, cement, brick, electric, hardware, glass, furniture and many other industries.

Check payments outside of New York are the broadest measure of general business, covering wholesale and retail commercial and financial transactions of all kinds, as well as a large volume of wage and salary payments which reflect themselves sooner or later in trade. The exclusion of New York City bank debits helps to eliminate the influence of stock trading, but cannot eliminate this element altogether, nor should it be entirely eliminated, since it is an important part of modern business.

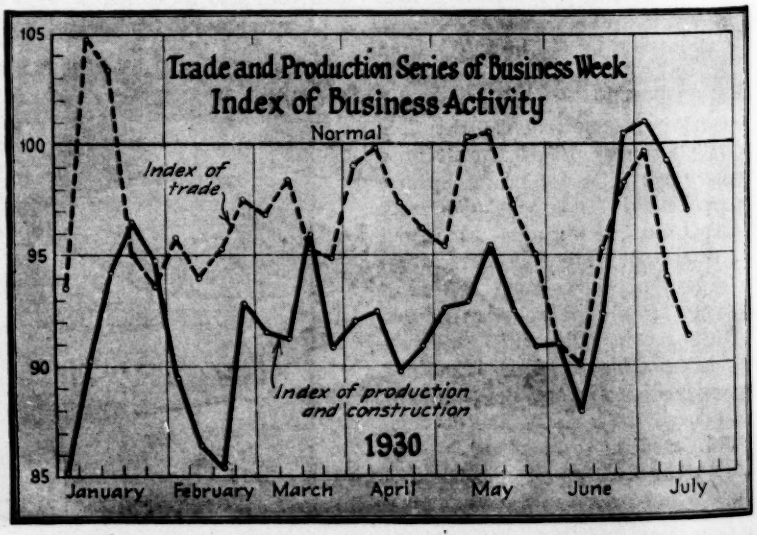
First Distribution Step

Car loadings of miscellaneous and less-than-carload-lot freight, which cover about 60% of all freight carried by the railroads, measure the primary distribution of manufactured goods. Loadings of coal, ore, lumber, livestock and grain all are connected with changes in basic industrial activity and agricultural conditions, but the other groups which are used in our index reflect the first stages of general trade activity—the wholesale movement of finished goods from manufacturer to market.

Commercial loans of Federal Reserve member banks reflect demand for bank credit to finance current trade—mostly in wholesale of commodities.

Finally, *currency in circulation* reflects the amount of cash being used in business, mostly by wage earners for current retail purchases and living expenses.

The chart on this page shows the course of the elements representing production in the index, when grouped together, compared with the group representing general trade, since the beginning of this year. It will be seen that productive activity has tended to run much farther below normal than general trade in the current depression.



The MULTIGRAPH MAP of Business . . .

a key to new fields of profit

THE ADDRESSING MULTIGRAPH:

Writes a letter, adds "fill-in" and salutation in same type from same ribbon (an exact match), signs the letter, and addresses the envelope all at one revolution of the drum.

THE day is long past when one department or one activity of business could monopolize the benefits of Multigraph Service. So adaptable is today's complete line of Multigraph equipment that practically every department of every business, large or small, can enjoy its advantages. To some it brings economies in the production of forms, printed matter, and letters. To some it brings simplification of elaborate follow-up activities. To some it brings added sales profit by aiding in the application of selective selling to modern sales problems. The big question today, therefore, is not "Can we use Multigraph equipment?" but "Are we obtaining every profit which Multigraph facilities make available to us?"

On the business map at the right are indicated those departments or classifications of business activity which can profit by means of the Printing or Addressing Multigraph, Compotype or Set-O-Type equipment, Multigraph Folders, the Multigraph Lever Addresser, or other units in the Multigraph line.

A Multigraph representative can give you actual facts and figures on results of Multigraph applications in your own branch of business. Telephone our office in your city, or write to us direct.

THE AMERICAN MULTIGRAPH SALES COMPANY
1798 EAST 40th STREET CLEVELAND, OHIO
THE MULTIGRAPH SALES COMPANY, LIMITED
137 Wellington St., W., Toronto, Ontario

The American Multigraph Sales Company,
1798 East 40th St., Cleveland, Ohio

Please mail us copy of your check list guide to Multigraph uses—"33 Ways."

Name .....
Business .....
City .....
State .....

The all-around
MULTIGRAPH

The Dublin Letters

Memo to Mr. Derby Thomas of the Dublin Advertising Agency on the Importance of a Certain Habit

Office of James W. Dublin
New York
January, 1928

Dear Derb:

I observed, with considerable pain, that you did not take any notes at the sales convention of the Harmsworth Rubber Company. At least you didn't take any the day I was in attendance. You were supposed to.

Fifty per cent of the Harmsworth salesmen didn't take any, either. If I were Dennis Farrell, the sales-manager, I would have kept those note defaulters after school for a week *at their own expense.* It's a pretty disheartening thing to bring the selling crew in from the far corners of the U. S. A., unfold some of the creamiest thinking there is in the tire industry, try to be on the square by soft-pedaling the hokum—and then discover the boys don't rate the performance good enough to take a few notes back to the home folks.

It gave me an acute swelling of my indignation gland.

In the old days, when sales meetings were unformed and uninforming, the boys had some excuse for not seeing much connection between taking notes and taking orders. The idea was to gather the gang, show 'em the new numbers for next season's line, hop 'em up with ginger talk, stick 'em back on the train, and hope for the best.

The boys bore patiently with a lot of commercial stump speeches, burnt up the free cigars, made believe listen—and reckoned they had done their part. They went through with it as a compliment to the company and as a penance for sitting up all night drinking beer, shooting crap, and dealing deuces wild.

Only a certain elect carried anything of value away from the Big Annual Trip to Headquarters. They were the ones who were smart enough to maneuver the chief into the promise of a raise. Others, who got the straight-arm and the fish-eye on the salary question, went away with one outstanding impression net: the company was a cheap skate and could not offer anyone a future.

Advertising then was generally treated as a sort of hangnail to the proceedings. It was difficult to explain a thing which evaded the merchandising logic of the era and which had the status of a tramp pup nobody liked, but which it wouldn't be wise to kick out because he might grow up into a show dog.

Therefore the gist of the remarks on advertising was contained in the statement: "We are going to advertise more during the coming year."

The boys' mental reaction to this was: "Oh, yes?"

Or, if an ad man happened to be down for a spiel he sinned with ginger, too. On top of that he overpromised. He guaranteed a return engagement of the loaves and fishes.

The boys would hitch around in their chairs and whisper: "Bull."

A week later the Treasurer would tote up the cost of bringing the boys in off the road and run up to tell the President that sales-meetings weren't worth a hoot in hell. He had the figures to prove it.

But the sales meeting is something of an American ideal as well as an idea and business concerns just wouldn't give in. They kept tinkering with the darn thing year after year, hoping that if they lived long enough they could build a model that would run forwards and not back up on them. The feature that bothered most was the steering gear which needed perfecting in order to prevent psychological skidding.

In the Harmsworth sales convention you saw the very latest, fool-proof achievement. In case you don't know it, let me tell you it was a Lulu.

My feeling is that you missed the spirit *and the substance* of it almost entirely. You were a privileged spectator. You were one of a chosen few allowed to see a commercial heavyweight challenger stripped for action a half hour before ring time. You were in on the dope. Condition, strategy, the best punches, the opponent's weakness, strength were all laid before you. You were in on a drama. The suppressed kind of drama with a number of issues at stake—and the outcome in suspense.

Here was a first rank business institution so honest with itself and its employees that it had no fear about turning itself inside out and showing the whole works. Here was a management so articulate about its business that it could make its own little packet of brass tacks more vital than a ton of inspirational angel food.

Even a decade ago the thought of telling a group of salesmen the intimate things they were told at the Harmsworth assembly would have been considered goofy and irresponsible. But the Harmsworth Company has a clean, definite policy. It has that lack of fear which comes from a tried and tested intelligence. It has the moral sinews developed in fighting every variety of competition known to human trading.

Lest you still think I am writing this for fun I'll tell you another thing. I bought me some Harmsworth common the day after I got my inside earful of the Harmsworth business. Being to some extent familiar with the Dublin conservatism about cash money, you will perhaps admit now that I was *impressed.*

I concede that your protoplasm probably reacted to the excitation and you received a general smear of the goings on. But that is mere animal sensation. It is not employing the specific bean. Beany men are great note-takers. When something alive swims into their consciousness they don't say: "I pass." They take a note.

The doleful echo of the Harmsworth sales-convention to me is that the junior contact man of the Dublin Agency never laid a pencil to paper during the whole round-up. You not only threw the Harmsworth people down. You threw yourself and Ben Frost down, too. You are Frosty's assistant. The main idea of being an assistant is, funny enough, to *assist.* Ear flapping does not come under the heading of help.

All during the convention Frosty was a one-man ant hill. He had to have sessions with all the district managers; he had to present the advertising campaign—*and make it stick;* he helped Dennis Farrell with the dinner and theater arrangements; he had to give a dozen, probably, individual advertising lessons to the visiting salesmen who wanted to ask questions. Then, as if this weren't plenty, you know what else happened. He had to handspring down to the hospital and act like a happy father when Mrs. Frost had a baby girl right in the middle of the Harmsworth sales program—which was indeed very, very inconvenient for the *pater.*

Seeing that Frosty didn't have a chance to scribble anything on his cuff, even, would it not have been a grand idea if you had given him a surprise?

Something in the way of a neatly typed running report of what took place—the salient facts set down methodically

with your own personal impressions and conclusions. This would have been positively bringing in the sheaves. I think Frosty's eyes would have filled with tears at this demonstration of practical friendship. I think he would have heaved a sigh of thanks to the Heaven which had, at last, sent him an assistant who would lift and not lean.

A week from now your recollection of what happened so far as its practical application is concerned, will be hardly more than a thin, faintly flavored consommé. Neither you nor anyone else will be able to spoon any satisfaction out of it.

Life flows fast. Impressions are your stock in trade. You have to pot 'em on the wing. Only those you get in the bag count. You are in the expression business. Notes are expression. Many of the world's great masterpieces grew out of a few seedlings of thought written on scattered pieces of paper or in a 10 cent blank book.

The live advertising man has two constant and legitimate fears. One is that he may miss something. The other is that he may fall down in making the other fellow see what *he sees*.

Perhaps you noticed the demon note-taker of the whole convention. I didn't get his name. He had red hair, one slew eye, and wore a turquoise scarf pin as big as a pullet's egg. During the three-day session I'll bet he took enough notes to stuff a mattress. What he won't tell the world when he gets back on his territory will be of relatively no importance.

I told Dennis Farrell about him and suggested he ought to be made a Branch Manager. *He is now a Branch Manager.* I also suggested that it be noised around as to *why* he was made a Branch Manager. Mr. Farrell assures me it will give him great pleasure to noise it around. See?

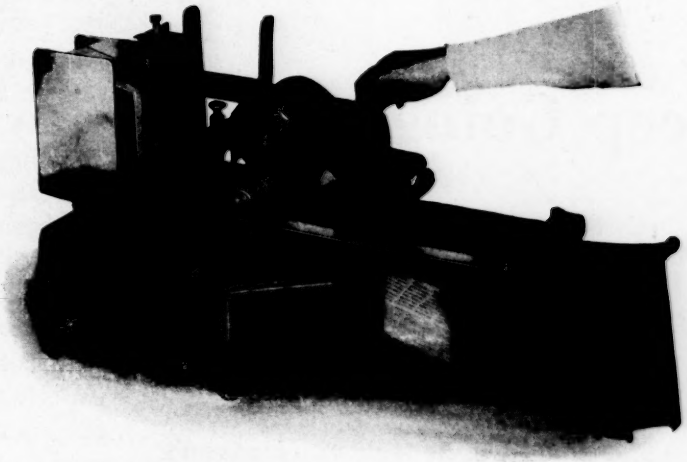
J. W. D.

In a Word

NEWEST, most comprehensive find in the higher and creative terminology of the American Petroleum Institute: Second and revised edition of the "American Petroleum Institute's Tentative Code of Good Practice in the Application of Protective Coatings to Underground Pipe Lines." A philologist asserts it can be done into German in one word which will not exceed in length Mark Twain's famous specimen from a consular report: "Unconfirmed rumor of the assassination of the aunt of a Hottentot king."

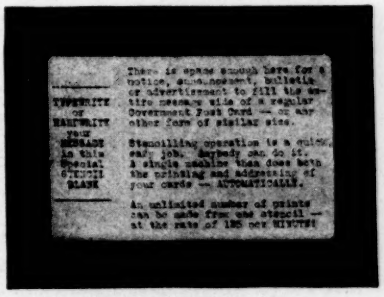
INVESTIGATE

This Marvelous New DOUBLE-DUTY MACHINE!

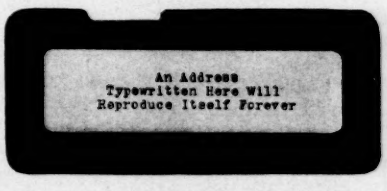


For speedily and easily producing and directing notices, announcements, bulletins and price lists to customers, prospects, dealers, salesmen, agents, membership-lists, etc. Also for quick-action Advertising at small cost.

A 2 in 1 Combination POST-CARD MESSAGE-PRINTER and ADDRESSER



All-fibre Stencils. Can be handwritten or cut on a typewriter. Above is the Message Stencil. Below is the Address Stencil. Both are used in the one machine.



It's AUTOMATIC—yet sells at a popular price. Unlike anything ever before offered. You have seen machines for printing Post-Card messages and other machines for addressing them but never a SINGLE machine for doing BOTH JOBS!

No type to set up. Not even a typewriter needed.

In addition to Post-Card printing and addressing, can be used for all kinds of envelope, circular, tag, label and wrapper addressing, bill and statement heading, etc. Unquestionably the biggest value in the addressing machine field. Will save you a vast amount of time, labor, money.

Try Post-Card ADVERTISING with this little machine! A Government Post-Card costs only 1c for both postage and stock. Your message travels first class. And people read Post-Cards when they won't notice any other kind of circular.

CLIP and MAIL this COUPON

☐ **FREE Catalog**
☐ **FREE Demonstration**
☐ **FREE Book about Direct-Mail Advertising**

Check what is wanted at left, attach to your business letterhead, and address to the Elliott Addressing Machine Co., Cambridge, Mass., U. S. A. (or 980 St. Antoine St., Montreal, if you are in Canada).

THE BUSINESS WEEK

The Journal of Business News and Interpretation

July 30, 1930

Keep Going

THE depression enthusiasts and deflation fans who have been cheering every statistical strike-out, every financial fumble and economic misplay, and rewarding the earnest umpire's efforts with pop bottles of pessimism during these desperate innings of business recovery, have been able to find curiously little fault with the team's manager—the Federal Reserve.

Of course, there has been the usual parrot patter of the journalistic Jeremiahs about the danger of renewed inflation and the menace of frozen security loans, but not very much that they could get their teeth into for a good gnashing. Even they, like everybody else, have had to recognize that the Federal Reserve has done a fine job in cushioning the crash, easing the strain of depression, preventing serious financial disorder. Only the horniest of these crabs of current economic conservatism can say that the situation has been badly handled by our Reserve banking system.

Their only complaint, naturally, is that the Reserve has done anything at all to assist business recovery before the ordained period of penance for previous prosperity shall have expired. We should be made to suffer more and longer. But that complaint is softened by the superior assurance that easy money, low discount rates, and abundant credit won't do a bit of good anyway. Business won't use any of it till it has seen the light, donned sackcloth and ashes, and attained grace according to the gospel of Adam Smith. Its only effect could be to stimulate a little speculation.

This is unmitigated nonsense. Business, in the period of depression and low spirits following a spree, always needs and always responds in time to the stimulant of easy money and abundant credit. It cannot recover promptly and painlessly without a swift shot of secondary inflation. Pre-war depressions were unnecessarily prolonged and painful because no organized banking system existed to make this possible. There is no doubt that the fairly rapid rate of credit expansion in the past six months has prevented more serious business recession than we have experienced.

The only danger now is that the Federal Reserve will not follow through—that, succumbing itself, perhaps, to this skepticism of the carping cynics, it may relax the efforts it has been making and rest on its oars, waiting the turn of the tide.

The amount of Federal Reserve credit that has been thrown into action is by no means yet sufficient to ensure that prompt recovery which is perfectly possible under the generally sound conditions that exist in business today. In recent weeks outstanding Reserve credit has tended to decline, and with it the rate of expansion of member bank credit.

Further reductions of rediscount rates are admittedly unnecessary and ineffective, nor can much more be done by lowering bill-buying rates when the supply of bills is inadequate. But it will not do to wait till the supply increases with the fall seasonal demand for commercial credit. Reserve funds should be pumped into the market steadily by continued buying of securities so as to force lower rates for long time loans and stimulate the bond market more vigorously than it has been so far. Now, when business and commodity prices are nearing the turning point, the Reserve should not take its foot off the accelerator.

The pressure against deflation must be unremitting.

Published weekly by the McGraw-Hill Publishing Company, Inc. Tenth Avenue and 36th Street, New York. Tel. Medallion 0700. Price 15 cents. Subscription rate, $5.00 a year; foreign, $6.00

Publishing Director, Jay E. Mason

Managing Editor, Marc A. Rose — *News Editor*, Ralph B. Smith
Economist, Virgil Jordan — *Art Director*, Perry Githens
Marketing, Gorton James — *Finance*, D. B. Woodward
Aviation, E. P. Warner — *Industrial Production*, K. W. Stillman
Transportation and Utilities, Cameron A. Robertson
J. F. Chapman — F. A. Huxley — R. I. Carlson
Washington, Paul Wooton — *Chicago*, John Millar
European News Director, Elbert Baldwin
7 Boulevard Haussmann, Paris — Cable Address: Busweek, Paris